

Miji International Holdings Limited
米技國際控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code : 1715



Design
Germany



Miji
Joy in the
kitchen

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



KOALA Securities Limited
樹熊證券有限公司

Share Offer

IMPORTANT

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

Miji International Holdings Limited

米技國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	: 375,000,000 Shares (subject to the
under the Share Offer	Over-allotment Option)
Number of Public Offer Shares	: 37,500,000 Shares (subject to reallocation)
Number of Placing Shares	: 337,500,000 Shares (subject to reallocation and
	the Over-allotment Option)
Maximum Offer Price	: Not more than HK\$0.36 per Offer Share, plus
	brokerage of 1%, SFC transaction levy of
	0.0027% and Stock Exchange trading fee of
	0.005% (payable in full on application in
	Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 1715

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



Co-Lead Manager



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

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

The Offer Price is expected to be determined by agreement between the Joint Bookrunners (on behalf of the Underwriters) and our Company on or around Friday, 6 July 2018 and, in any event, not later than Thursday, 12 July 2018. The Offer Price will be not more than HK\$0.36 per Offer Share and is currently expected to be not less than HK\$0.30 per Offer Share, unless otherwise announced. Applicants for the Offer Shares are required to pay, upon application, the maximum Offer Price of HK\$0.36 per Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$0.36 per Offer Share.

If, for any reason, the Offer Price is not agreed by Thursday, 12 July 2018 between the Joint Bookrunners (on behalf of the Underwriters) and us, the Share Offer will not proceed and will lapse.

The Joint Bookrunners (on behalf of the Underwriters) may, where considered appropriate and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$0.30 to HK\$0.36) at any time prior to the morning of the last day for lodging applications under the Share Offer. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Share Offer. Such notices will also be available on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.mijiholdings.com. Further details are set forth in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Offer Shares should note that the obligations of the Underwriters under the Underwriting Agreements to subscribe, and to procure subscribers for, the Offer Shares, are subject to termination by the Joint Bookrunners (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See paragraph headed "Underwriting – Underwriting Arrangements and Expenses – The Public Offer – Grounds for Termination" in this prospectus.

29 June 2018

EXPECTED TIMETABLE^(Note 1)

If there is any change in the following expected timetable, our Company will issue a separate announcement on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.mijiholdings.com.

- Latest time to complete electronic applications under
the **HK eIPO White Form** service through the designated
website at www.hkeipo.hk (Note 2) 11:30 a.m. on Thursday,
5 July 2018
- Application lists for the Public Offer open (Note 3) 11:45 a.m. on Thursday,
5 July 2018
- Latest time for lodging **White** and **Yellow**
Application Forms and giving **electronic application**
instructions to HKSCC (Note 4) 12:00 noon on Thursday,
5 July 2018
- Latest time to complete payment of **HK eIPO White Form**
applications by effecting internet banking transfer(s)
or PPS payment transfer(s). 12:00 noon on Thursday,
5 July 2018
- Application lists close (Note 3) 12:00 noon on Thursday,
5 July 2018
- Expected Price Determination Date (Note 5) Friday, 6 July 2018

Announcement of:

- (i) the final Offer Price;
- (ii) the indication of the level of interest in the Placing;
- (iii) the results of allocations in the Public Offer; and
- (iv) the basis of allocation of the Public Offer Shares
to be published in South China Morning Post (in English) and
the Hong Kong Economic Times (in Chinese),
the website of our Company at www.mijiholdings.com and
the website of the Stock Exchange at www.hkexnews.hk Friday, 13 July 2018

EXPECTED TIMETABLE^(Note 1)

Results of allocation in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the paragraph headed "How to Apply for Public Offer Shares – 11. Publication of results" in this prospectus including the website of the Stock Exchange at **www.hkexnews.hk** from Friday, 13 July 2018

Results of allocations in the Public Offer to be available at the designated results of allocation website at **www.tricor.com.hk/ipo/result**, with a "search by ID" function Friday, 13 July 2018

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) and wholly or partially unsuccessful applications under the Public Offer (Notes 5, 7 & 8) Friday, 13 July 2018

Despatch/collection of the share certificates of the Offer Shares or deposit of certificates of the Offer Shares into CCASS in respect of wholly or partially successfully applications (Notes 6 & 7) Friday, 13 July 2018

Dealings in our Shares on the Stock Exchange to commence on 9:00 a.m. on Monday, 16 July 2018

Notes:

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure and conditions of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.
- (2) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 5 July 2018, the application lists will not open on that day. Further information is set out in the paragraph headed "How to Apply for Public Offer Shares – 10. Effect of bad weather on the opening of the application lists" in this prospectus. If the application lists do not open and close on Thursday, 5 July 2018, the dates mentioned in the section headed "Expected Timetable" in this prospectus may be affected. A press announcement will be made by the Company in such event.
- (4) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to Apply for Public Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

EXPECTED TIMETABLE^(Note 1)

- (5) The Price Determination Date is expected to be on or about Friday, 6 July 2018, and in any event no later than 6:00 p.m. on Thursday, 12 July 2018. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company on or before 6:00 p.m. on Thursday, 12 July 2018, the Share Offer will not proceed and will lapse.
- (6) Share certificates for the Public Offer Shares will only become valid certificates of title provided that (i) the Share Offer has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated in accordance with their terms before 8:00 a.m. on the Listing Date. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Company will make an announcement as soon as possible.
- (7) Applicants who have applied on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares under the Public Offer may collect any refund cheques and/or Share certificates in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 13 July 2018. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf.

Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop.

Both individuals and representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to Tricor Investor Services Limited at the time of collection.

Applicants who have applied on **YELLOW** application forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques, if any, in person but may not collect their Share certificates which will be deposited into CCASS for the credit of their designated CCASS participants' stock accounts or CCASS investor participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** application form applications are the same as those for **WHITE** application form applicants. Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further information is set out in the paragraph headed "How to Apply for Public Offer Shares – 14. Despatch/Collection of share certificates and refund monies" in this prospectus.

If an applicant has applied for less than 1,000,000 Public Offer Shares, the share certificate (if applicable) and/or refund cheque will be despatched by ordinary post (at the applicant's own risk) to the address specified on the Application Form.

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

You should read carefully the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus for details relating to the structure and conditions of the Share Offer and how to apply for Public Offer Shares.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

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

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

	<i>Page</i>
Expected Timetable	i
Contents	iv
Summary	1
Definitions	11
Glossary	24
Forward-looking Statements	26
Risk Factors	28
Waiver from Strict Compliance with the Listing Rules	53
Information about this prospectus and the Share Offer	55
Directors and Parties Involved in the Share Offer	60
Corporate Information	65

CONTENTS

	<i>Page</i>
Industry Overview	67
Regulatory Overview	77
History, Development and Group Structure	90
Business	103
Relationship with Controlling Shareholders	186
Share Capital	190
Substantial Shareholders	194
Directors, Senior Management and Employees	196
Financial Information	210
Future Plans and Use of Proceeds	257
Underwriting	264
Structure and Conditions of the Share Offer	274
How to Apply for Public Offer Shares	286
Appendix I — Accountant’s Report	I-1
Appendix II — Unaudited Pro Forma Financial Information	II-1
Appendix III — Summary of the Constitution of our Company and Cayman Islands Company Law	III-1
Appendix IV — Statutory and General Information	IV-1
Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection	V-1



SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety, by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Offer Shares.

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

OVERVIEW

We source, develop, manufacture and sell premium kitchen appliances to middle-class and upper-middle-class customers. According to the CIC Report, we were the largest premium radiant stove manufacturer and supplier in the PRC in 2017 in terms of the retail sales value of the PRC’s premium radiant stove market.

Our products mainly are Hobs and Stoves (including radiant stoves and induction stoves). Our core brands are “Miji Design” (德國米技) , “Miji Home” (米技生活)  and “Miji Pro”  (米技商用). For the manufacturing of our Hobs and Stoves, we have two factories located in Shanghai, the PRC and one production workshop in Germany with an aggregate gross floor area of approximately 9,100 sq.m. We also source our Hobs and Stoves from OEMs. All our Hobs and Stoves comply with the relevant safety standards and mandatory registration requirements such as CCC and QB/T 4404-2012 in the PRC and Germany.

Our products are mainly sold in the PRC. We distribute our products across the PRC through various sales channels comprising mainly our distributors, consignment sales, television platforms, online platforms and corporate sales. We also sell some products in Germany through Amazon Germany. During the Track Record Period and up to the Latest Practicable Date, we confirm that there is no change in the nature of business that is being contemplated. In the future, we intend to maintain our leading position in the market by enhancing our product portfolio, devoting more resources to research and development and expanding our sales channels.

COMPETITIVE LANDSCAPE

According to the CIC Report, the PRC’s premium radiant stoves retail market, which is a subset of the kitchen appliance market and the cooking stove market, is relatively concentrated with less than 40 market players, while competition for the mass radiant stove segment remains much more intense by offering lower-priced products. The size of the PRC’s radiant stove market, in terms of retail sales value, grew from approximately RMB0.9 billion in 2013 to RMB1.7 billion in 2017, representing a CAGR of 16.5%. Further, the total retail sales value of premium radiant stoves was approximately RMB1,097.8 million in 2017, of which the top five players accounted for approximately 60.4%. Our Group, with a market share of approximately 36.0% ranked first among all the premium retail brands for radiant stoves in the PRC in 2017. In the kitchen appliance market and the cooking stove market in the PRC, a significantly larger market size than that of the premium radiant stove market, our Group only accounted for a minimal market share of approximately 0.3% and 1.3%, respectively, in terms of retail sales value in 2017.

SUMMARY

OUR PRODUCTS

We market four categories of products: (1) radiant Hobs and Stoves; (2) induction Hobs and Stoves; (3) pots and pans; and (4) other small kitchen appliances and kitchen cabinets.

The following table sets forth the revenue, gross profit and gross profit margin by product categories for the periods indicated:

	Year ended 31 December								
	2015			2016			2017		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Hobs and Stoves (Radiant)	203,436	96,187	47.3	198,196	94,667	47.8	202,890	108,228	53.3
Hobs and Stoves (Induction)	1,369	672	49.1	6,296	3,104	49.3	18,804	10,186	54.2
Pots and pans	4,720	2,677	56.7	8,879	5,121	57.7	20,079	10,954	54.6
Others (<i>Note</i>)	7,225	3,603	49.9	14,721	7,525	51.1	13,611	7,137	52.4
Total	216,750	103,139	47.6	228,092	110,417	48.4	255,384	136,505	53.5

Our overall gross profit margin for each of the three years ended 31 December 2017 was 47.6%, 48.4% and 53.5%, respectively. The increase in our gross profit margin for the year ended 31 December 2017 was attributed to the change in our sales channel mix. We had an increased proportion of revenue derived from the sales to corporate clients, which had a higher gross profit margin than other sales channels except our consignment stores. For further details of the gross profit and gross profit margin of our sales channels, please refer to the paragraph headed “Financial Information – Gross profit – Gross profit and gross profit margin by sales channels” in this prospectus.

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

	Year ended 31 December					
	2015		2016		2017	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	units	RMB	units	RMB	units	RMB
Hobs and Stoves (Radiant)	237,147	858	227,627	871	230,193	881
Hobs and Stoves (Induction)	467	2,931	2,140	2,942	6,340	2,966
Pots and pans	15,637	302	29,262	303	65,010	309
Others (<i>Note</i>)	31,241	231	62,775	235	56,541	241

Note: Others include small kitchen appliances such as hoods, kettles, bakery ovens and kitchen cabinets.

SUMMARY

We sold over 50 types of Hobs and Stores as at the Latest Practicable Date. The revenue generated by the our key product series (Hobs and Stoves) during the Track Record Period are illustrated as follows:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Product series						
Miji IEE Series	49,101	22.7	50,757	22.3	60,531	23.7
Miji I Series	43,901	20.3	32,072	14.1	24,711	9.7
Miji iCOOK Series	12,423	5.7	17,667	7.7	21,389	8.4
Miji CTE Series	6,974	3.2	9,664	4.2	24,667	9.7
Miji Q Series	5,403	2.5	13,699	6.0	17,543	6.8
Total	117,802	54.4	123,859	54.3	148,841	58.3

OUR PRICING POLICY

The direct sales and distribution sales prices of our products are determined by our sales and marketing department, considering (1) brand positioning; (2) competing products' price; (3) costs of production; (4) current demand and supply; (5) expected profit margin; (6) distribution channels and (7) operation scale of our customers and their purchase quantities. We generally sell our products to our distributors at prices fixed in distributorship agreements or our contractually binding instructions. We provide our distributors along with the distribution agreement a price list which specifies the prices for our distributors to sell our products to their retail customers; or our distributors may determine the retail prices but the prices cannot be lower than our predetermined minimum retail prices and are subject to our review and approval. For more information please refer to the paragraph headed "Business – Products – Pricing policy" in this prospectus.

OUR PRODUCTION FACILITIES AND PRODUCTION CAPACITY

We principally carried out our production activities at Pujiang Factory and Jiading Factory and a production workshop in Germany. Pujiang Factory has a gross floor area of approximately 5,960 sq.m., which comprises 3,340 sq.m. of owned factory and 2,620 sq.m. of leased factory. The leased Jiading Factory has a gross floor area of approximately 2,900 sq.m. The leased production workshop in Germany has a gross floor area of approximately 220 sq.m.

The following table sets forth the aggregate designated capacity, actual production volume and utilisation rates of our production facilities (including the Pujiang Factory, Jiading Factory and the Germany production workshop) for the Track Record Period.

	Year ended 31 December								
	2015			2016			2017		
	Designated capacity	Production volume	Utilisation rate	Designated capacity	Production volume	Utilisation rate	Designated capacity	Production volume	Utilisation rate
	<i>(Note 1)</i>		<i>(Note 2)</i>	<i>(Note 1)</i>		<i>(Note 2)</i>	<i>(Note 1)</i>		<i>(Note 2)</i>
	<i>(approximate unit)</i>	<i>(approximate unit)</i>		<i>(approximate unit)</i>	<i>(approximate unit)</i>		<i>(approximate unit)</i>	<i>(approximate unit)</i>	
Portable radiant stove	225,225	257,161	114%	225,225	252,755	112%	225,225	238,977	106%
Built-in radiant hob	37,800	1,321	3%	37,800	2,356	6%	37,800	6,829	18%
Portable induction stove	6,300	6,718	107%	6,300	5,251	83%	6,300	6,747	107%
Built-in induction hob	6,300	497	8%	6,300	457	7%	6,300	743	12%
Hybrid hob	6,300	240	4%	6,300	100	2%	6,300	251	4%

SUMMARY

Notes:

- (1) Designated capacity is computed based on 252 effective production days per year and one shift of seven hours per day for the Track Record Period. For any utilisation rate exceeding 100%, it indicates that our Group has operated more than 252 effective production days and/or one shift per day in that financial year.
- (2) The utilisation rate is calculated by dividing the production volume by the designated capacity.

RESEARCH AND DEVELOPMENT

As at the Latest Practicable Date, our Group’s research and development department had 13 members (including four staff stationed in the laboratory accredited by CNAS) of whom most hold university graduate degree and three have professional qualifications in engineering. Among the members with university graduate degree, one of them had 15 years and another one of them had 20 years of experience in laboratory testing. The research and development department is headed by our research and development director, Mr. Fang Zongda who is an expert in industrial standard of electric stoves in the PRC and has been leading our research and development department for over seven years. For more information, please refer to the paragraph headed “Business – Research and development” in this prospectus.

OUR SUPPLIERS

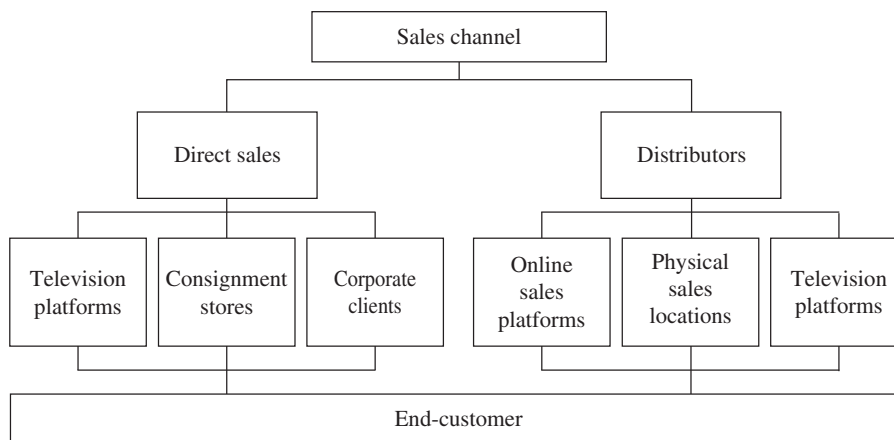
We source the parts and components for production from reliable suppliers, which are selected by us very carefully, taking into account their product price, product quality, production capacity, financial conditions, delivery schedule, business scale and reputation. EGO and SCHOTT were our top five suppliers throughout the Track Record Period and our largest suppliers for the two years ended 31 December 2016. The two groups are the leading suppliers in the industry in terms of quantity and quality, manufacturing at a large scale and selling quality parts and components at a very competitive price which can hardly be provided by other suppliers. EGO and SCHOTT are the PRC subsidiaries of the two groups respectively and have been our major suppliers for over 16 years. Nothing has come to our Directors’ attention that they will risk their market share and leading position in the PRC by substantially increasing the price. We therefore have limited concern about our continual reliance on EGO and SCHOTT especially when the market of our products is still growing.

For the Track Record Period, the costs of our parts and components and OEM products were approximately RMB106.7 million, RMB109.7 million and RMB113.3 million respectively, representing approximately, 93.9%, 93.2% and 95.3% of our total cost of sales, respectively. For more information, please refer to the paragraph headed “Business – Production” in this prospectus.

OUR SALES CHANNEL AND CUSTOMERS

Sales channels

Our sales channels in the PRC are illustrated as follows:



SUMMARY

We sell our products across the PRC through an extensive distribution and consignment network comprising distributors which operate online platforms, television platforms and physical location sales and consignments stores. We enter into distribution and consignment agreements with each of our distributors and consignees for sale of our products, covering 25 provinces, autonomous regions and municipality cities in the PRC. This arrangement enables us to market our products and brand to different regions of the PRC without the reliance on extensive logistics network covering different regions in the PRC at our own expenses and manpower, which enable us to focus on direct sales, research and development, manufacturing, and marketing of our products in Shanghai and Beijing region. We benefit from our distributors' and consignees' established retail networks and local intelligence by enhancing and expediting the market penetration of our products.

For more information, please refer to the paragraph headed "Business – Sales channels" in this prospectus.

The following table sets forth a breakdown of our revenue by our sales channels during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Direct Sales						
Consignment stores	32,564	15.0	41,444	18.2	56,065	22.0
Corporate clients	6,569	3.0	13,639	6.0	36,979	14.5
Television platform	55,069	25.4	46,126	20.2	59,115	23.1
Subtotal	<u>94,202</u>	<u>43.4</u>	<u>101,209</u>	<u>44.4</u>	<u>152,159</u>	<u>59.6</u>
Distributors						
Online platform	50,386	23.2	54,709	24.0	71,765	28.1
Physical sales locations	13,696	6.3	19,370	8.5	23,809	9.3
Television platform	58,466	27.1	52,804	23.1	7,651	3.0
Subtotal	<u>122,548</u>	<u>56.6</u>	<u>126,883</u>	<u>55.6</u>	<u>103,225</u>	<u>40.4</u>
Total	<u>216,750</u>	<u>100.0</u>	<u>228,092</u>	<u>100.0</u>	<u>255,384</u>	<u>100.0</u>

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

	Year ended 31 December					
	2015		2016		2017	
	Sales volume <i>units</i>	Average selling price <i>RMB</i>	Sales volume <i>units</i>	Average selling price <i>RMB</i>	Sales volume <i>units</i>	Average selling price <i>RMB</i>
Direct Sales						
Consignment stores	37,792	862	47,628	870	64,227	873
Corporate clients	8,009	820	15,951	855	43,237	855
Television platform	54,190	1,016	53,217	867	87,037	679
Distributors						
Online platform	79,219	636	85,436	640	112,043	641
Physical sales locations	20,067	683	28,310	684	34,593	688
Television platform	85,215	686	91,262	579	16,947	451

SUMMARY

Customers

For the Track Record Period, our revenue was approximately RMB216.8 million, RMB228.1 million and RMB255.4 million, respectively, representing a CAGR of 8.5% from 2015 to 2017. On the other hand, our net profit for the same periods was approximately RMB18.3 million, RMB24.1 million and RMB21.1 million, respectively. For the Track Record Period, our top five customers accounted for approximately 76.4%, 68.0% and 46.3% of our total revenue, respectively.

Zhongke Group was one of our top five customers, accounting for approximately 44.7%, 39.5%, and 13.7% of our Group's total turnover respectively. We reduced such reliance by enhancing our direct sales channels, especially our consignment sales and sales to corporate clients, and taking over part of the distributorship via television platform granted to Zhongke Group under our Group's direct control. We believe that the decrease in revenue contribution from Zhongke Group to our total revenue during the year ended 31 December 2016 and the year ended 31 December 2017 has been successfully mitigated by our Group. For more information, please refer to the paragraph headed "Business – Relationship with Zhongke Group and other distributors" in this prospectus.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our business growth and will continue to drive our success:

- Our well-established leading market position has benefitted our business performance
- Our sales network and diversified sales channels enable us to serve a broad customer base and meet growing and different customer demand
- Strategic alliance with reliable suppliers
- Reputation of our brand
- Standard of product safety
- Experienced and professional management team
- Capable design and engineering team

For more information, please refer to the paragraph headed "Business – Competitive strengths" in this prospectus.

OUR STRATEGIES AND FUTURE PLANS

We aim to further deepen and expand our business in the PRC by increasing our products' geographical, sales channel coverage and market share. We believe the following strategies will help solidify our market position and drive our future growth:

- We plan to establish showrooms and consignment stores in selected major cities in the PRC
- We plan to expand and strengthen our sales and marketing department and channels
- We plan to continue the project of 米技電爐具智能化服務平臺建設(Establishment of Smart Service Platform for Miji Electric Stores*)
- We plan to expand our product portfolio

For more information, please refer to the paragraph headed "Business – Our strategies and future plans" in this prospectus.

SUMMARY

RISK FACTORS

There are certain risks involved in our operations and connected with the Share Offer, many of which are beyond our control. These risks primarily include:

- Our sales depend on the popularity of our brand and the products we offer
- Our sales is subject to changes in customer preferences and other macroeconomic factors that affect customer spending patterns
- We rely upon a small number of major customers that accounted for a significant portion of our revenue
- We may not be successful in the development of new products or improvement in the quality of our existing products
- Our measures implemented to minimise the risk of cannibalisation between distributors and our Company and/or among the distributors within the same sales channel and/or among different sales channels may not be effective

For more information, please refer to the section headed “Risk Factors” in this prospectus.

SUMMARY OF COMBINED FINANCIAL INFORMATION

The following is a summary of our combined financial information as of and for the Track Record Period. We have derived the summary from our combined financial information set forth in the Accountant’s Report. The below summary should be read together with the combined financial information in Appendix I to this prospectus, including the accompanying notes and the information set forth in the section headed “Financial Information” in this prospectus. Our combined financial information was prepared in accordance with HKFRS.

Selected information from Combined Statements of Comprehensive Income

The following table sets forth, for the periods indicated, our combined results of operations.

	Year ended 31 December		
	2015 RMB'000	2016 RMB'000	2017 RMB'000
Revenue	216,750	228,092	255,384
Costs of sales	(113,611)	(117,675)	(118,879)
Gross profit	103,139	110,417	136,505
Other income	942	3,352	1,354
Selling and distribution expenses	(60,844)	(59,149)	(71,282)
Administrative expenses	(11,757)	(14,625)	(27,535)
Research and development expenses	(9,713)	(11,852)	(11,693)
Profit for the year	18,300	24,082	21,081
Profit attributable to owners of our Company	17,523	23,896	20,394

For the Track Record Period, we recorded revenue of approximately RMB216.8 million, RMB228.1 million and RMB255.4 million, respectively and net profit of approximately RMB18.3 million, RMB24.1 million and RMB21.1 million, respectively. The decrease in our net profit for the year ended 31 December 2017 was due to the recognition of listing expenses of approximately RMB11.1 million.

Our Directors believe that the growth of our revenue during the Track Record Period was primarily driven by (i) the increasing disposable household income of the PRC consumers; (ii) the rising health awareness of the PRC consumers; and (iii) the increasing market penetration of our products through various sales channels, in particular online platform. Please refer to the paragraph headed “Financial Information – Management discussion and analysis” in this prospectus for further details.

SUMMARY

During the Track Record Period, we obtained government grants of approximately RMB0.7 million, RMB3.2 million and RMB1.4 million, respectively. For details of our government grants, please refer to the paragraph headed “Financial Information – Management discussion and analysis – Other income”. The offer of the government grants and their respective amounts are determined by the PRC government departments at their sole discretion, and therefore the government grants may not be recurring. However, given that Miji Shanghai was accredited as a new and high technology enterprise up to 2020 and our Group is committed to continuously enhance our research and development, our Directors are of the view that we will not have any difficulties in the application for government grants in the foreseeable future.

Selected information from Combined Statements of Financial Position

The following table sets forth, as at the periods indicated, our combined statements of financial position.

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Non-current assets	10,700	13,346	13,692
Current assets	115,938	106,875	167,961
Current liabilities	97,897	86,816	113,143
Net current assets	18,041	20,059	54,818
Non-current liabilities	–	4	–
Total equity	28,741	33,401	68,510

MAJOR FINANCIAL RATIOS

The following table sets forth major financial ratios as at and for the periods indicated:

	As at/for the year ended 31 December		
	2015	2016	2017
Current ratio (times)	1.2	1.2	1.5
Quick ratio (times)	0.6	0.8	1.1
Gearing ratio	0.6	0.8	0.6
Debt to equity ratio	N/A	0.2	N/A
Interest coverage (times)	978.3	57.3	25.1
Return on assets (%)	13.8	19.9	11.2
Return on equity (%)	61.0	71.5	29.8

For the calculation method and further details of our key financial ratios, see “Financial Information – Major financial ratios”.

SHAREHOLDERS' INFORMATION

Wide Big is directly wholly-owned by Madam Maeck, an executive Director and Controlling Shareholder. Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, and any options that may be granted under the Share Option Scheme), Wide Big will beneficially own 60.0% of the issued share capital of our Company and be our Controlling Shareholder. On 13 September 2017, Haitong made an investment in the amount of HK\$17,400,000 in our Company, and immediately after completion of the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment option, and any options that may be granted under the Share Option Scheme), Haitong will beneficially own 11.25% of the issued share capital of our Company and will be our substantial shareholders. Please refer to the section headed “History, Development and Group Structure” in this prospectus for further details.

NON-COMPLIANCE

Our material non-compliance with PRC laws and regulations during the Track Record Period includes (i) failure to pay adequate social insurance fund and housing provident fund contributions for our employees, and (ii) failure to obtain permit for discharging sewage into drainage pipelines from the competent urban drainage department. For further details, please refer to the paragraph headed “Business – Non-compliance” in this prospectus.

SUMMARY

SHARE OFFER STATISTICS⁽¹⁾

	Based on low-end Offer Price of HK\$0.30 per Share	Based on high-end Offer Price of HK\$0.36 per Share
Market capitalisation of our Shares ⁽²⁾	HK\$450 million	HK\$540 million
Unaudited pro forma adjusted combined net tangible asset value per Share ⁽³⁾	RMB0.10	RMB0.11

Notes:

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalisation is based on 1,500,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, and any options that may be granted under the Share Option Scheme).
- (3) The unaudited pro forma adjusted combined net tangible asset per Share is calculated after making the adjustments referred to in Appendix II “Unaudited Pro Forma Financial Information” and on the basis that 1,500,000,000 Shares are issued and outstanding immediately following the completion of the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, and any options that may be granted under the Share Option Scheme).

USE OF PROCEEDS

We intend to use the net proceeds of the Share Offer of approximately HK\$94.0 million for the following purposes (assuming an Offer Price of HK\$0.33 per Share, being the mid-point of the Offer Price range stated in the prospectus, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Share Offer, and the Over-allotment Option is not exercised):

- (i) approximately 32.1%, or HK\$30.2 million, will be used for establishment of showrooms in major cities of the PRC. We plan to establish four showrooms by the end of 31 December 2020. These showrooms will be operated on leased properties and we expect that relevant terms of lease will range from three to five years.
- (ii) approximately 23.9%, or HK\$22.5 million, will be used for partial repayment of bank loans. Our Group obtained bank loans of the aggregated amounts of RMB23.0 million in March and April 2018, of which RMB13.0 million is secured, subject to floating interest rate of approximately 5.2% per annum, and repayable in March 2019; and the remaining RMB10.0 million is unsecured, subject to floating interest rate of approximately 5.2% per annum, and repayable in April 2019. We primarily used the proceeds of this loan to finance our daily operations.
- (iii) approximately 23.8%, or HK\$22.4 million, will be used for expanding and strengthening our sales and marketing capacities.
- (iv) approximately 3.6%, or HK\$3.4 million, will be used for developing and diversifying our product portfolio of Hobs and Stoves over the period from 1 July 2018 to 30 June 2020 with a focus on value-added attributes that allow us to further capture pricing premiums.
- (v) approximately 6.9% or HK\$6.5 million for the project of 米技電爐具智能化服務平臺建設 (Establishment of Smart Service Platform for Miji Electric Stoves*) which will be conducted throughout the period from 1 July 2018 to 30 June 2020.
- (vi) approximately 9.6% or HK\$9.0 million, will be used for general working capital.

For more information, please refer to the paragraph headed “Future Plans and Use of Proceeds – Use of proceeds” in this prospectus.

SUMMARY

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the proposed Offer Price range.

DIVIDEND

We may distribute dividends by way of cash or by other means that we consider appropriate. During the Track Record Period, we declared dividends of RMB16.7 million, RMB19.8 million and RMB26.4 million, respectively. The past record may not be used as a reference or basis in determining the level of dividend, which may be declared or paid by us in the future. We currently do not have a fixed dividend payout ratio. Payment of any future dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors consider relevant.

LISTING EXPENSES

Listing expenses directly attributable to the issue of new shares are recognised in equity, otherwise they are recognised as administrative expenses. The total estimated listing expenses in connection with the Share Offer was approximately RMB27.4 million. For the year ended 31 December 2017, our Group incurred listing expenses of approximately RMB14.3 million, of which RMB11.1 million was charged to the combined statements of comprehensive income and RMB3.2 million was recognised as prepayment in the combined statements of financial position. For the years ending 31 December 2018, we estimate that the listing expenses to be charged to the combined statements of comprehensive income will amount to RMB9.8 million. The remaining listing expenses of approximately RMB3.3 million will be charged against equity upon successful Listing under relevant accounting standards.

RECENT DEVELOPMENTS

We continued to focus on our principal business of manufacturing and trading of premium kitchen appliances, in particular radiant Hobs and Stoves. Aside from our principal market in the PRC, we are seeking opportunities to expand our presence in Hong Kong and Macau. Our Group has entered into an exclusive distributor agreement with a wholly-owned subsidiary of a Japanese company with over 100 years of history specialising in the sales and marketing of cutlery, kitchen utensils, beauty care products and confectionery utensils, to expand our distribution network through physical sales locations and online platforms in Hong Kong and Macau, effective on 1 June 2018. The exact physical sales locations to be set up in Hong Kong and Macau are subject to further negotiation and mutual agreement between our Group and the aforementioned exclusive distributor. For details of the exclusive distributor agreement, please refer to the paragraph headed “Business – Distributorship agreements” in this prospectus.

To the best information and knowledge of our Directors, up to the date of this prospectus, there are no material changes to the market condition of the PRC kitchen appliance market which would materially affect the operation or performance of our principal business. Our Directors confirmed that, up to the date of this prospectus, save for the impact of listing expenses, there has been no material adverse change in our financial or trading position or prospect of our Company or its subsidiaries since 31 December 2017, the end of the period reported in the Accountant’s Report, and there has been no event since 31 December 2017 which would materially affect the information shown in the Accountant’s Report.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“Accountant’s Report”	the accountant’s report set out in Appendix I to this prospectus
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN applications form(s) or, where the context so requires, any of them, to the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 24 June 2018, a summary of which is set out in Appendix III in this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors
“Business Day” or “business day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business to the public
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 1,124,999,900 Shares to be made upon the capitalisation of part of the amount standing to the credit of the share premium account of our Company referred to in the paragraphs headed “A. Further information about our Company – 3. Written resolutions of our Shareholders passed on 24 June 2018” in Appendix IV in this prospectus and “Share capital – Capitalisation Issue” in this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China”, the “PRC” or the “People’s Republic of China”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, do not include, Hong Kong, Macau and Taiwan
“CIC”	China Insights Consultancy Limited, a market research consultant who is an Independent Third Party
“CIC Report”	an industry report prepared by CIC which was commissioned by us in relation to, amongst others, the kitchen appliance market in the PRC
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“CNAS”	China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會), a national accreditation body of China unitarily responsible for the accreditation of certification bodies, laboratories and inspection bodies, which is established under the approval and authorisation of the Certification and Accreditation Administration of the People’s Republic of China (中國國家認證認可監督管理委員會) in accordance with the regulations of the PRC on certification and accreditation
“Co-Lead Manager”	Mouette Securities Company Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 4 (advising on Securities) regulated activities, being one of the Joint Bookrunners and Joint Lead Managers to the Share Offer
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company” or “our Company”	Miji International Holdings Limited (米技國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 16 May 2017
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and, in the context of this prospectus, means Madam Maeck and Wide Big
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Dakin Securities”	Dakin Securities Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 2 (dealing in future contracts) regulated activities, being one of the Joint Bookrunners and Joint Lead Managers to the Share Offer
“Director(s)”	the director(s) of our Company
“EGO”	益技歐電子器件（中國）有限公司（EGO Electrical Components Limited*), a company established in the PRC with limited liability which was one of our top five suppliers during the Track Record Period
“EIT”	enterprise income tax of the PRC
“EUR”	the official currency of the euro area, which consists of 19 of the 28 member states of the European Union
“Germany”	the Federal Republic of Germany
“GREEN application form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider designated by our Company
“Group”, “our Group”, “we”, “our” and “us”	our Company and its subsidiaries or any of them or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company, and a “member of our Group” means any of them
“Haitong”	Haitong Dynamic Multi-Tranche Investment Fund III S.P., a segregated portfolio of Haitong Funds Company

DEFINITIONS

“Haitong Funds Company”	Haitong Global Investment SPC III, an exempted company incorporated with limited liability and registered as a segregated portfolio company in the Cayman Islands
“Haitong Manager”	Haitong International Asset Management (HK) Limited (formerly known as Hai Tong Asset Management (HK) Limited), the investment manager appointed by Haitong Funds Company for Haitong
“Haitong Subscription Agreement”	a subscription agreement in Chinese dated 12 September 2017 entered into between Haitong and Miji Holdings in relation to the allotment and issuance of 15 shares of Miji Holdings to Haitong at a consideration of HK\$17,400,000
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars respectively, the lawful currency of Hong Kong
“HK eIPO White Form”	the application for Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRS”	the Hong Kong Financial Reporting Standards, including the Hong Kong Accounting Standards and interpretation issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong

DEFINITIONS

“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are independent of our Company and our connected persons
“Investors’ Rights Agreement”	an investors’ rights agreement in Chinese dated 12 September 2017 entered into between Miji Holdings, Wide Big, Shunzhi and Haitong in relation to the rights of Shunzhi and Haitong in Miji Holdings
“Jiading Factory”	the factory operated by Miji Yongxing, which is located at Building 3, 615 Fengdeng Road, Malu County, Jiading District, Shanghai, the PRC
“Joint Bookrunners” or “Joint Lead Managers”	Dakin Securities and Koala Securities
“Koala Securities”	Koala Securities Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 4 (advising on Securities) regulated activities, being one of the Joint Bookrunners and Joint Lead Managers to the Share Offer
“Latest Practicable Date”	20 June 2018, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date on which the trading of the Shares first commences on Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Madam Maeck”	Madam Maeck Can Yue (alias 季殘月, Can Yue Maeck Mäck GEB. Ji Can Yue and Ji Can Yue), our executive Director and one of our Controlling Shareholders


DEFINITIONS

“Main Board”	the stock market (excluding the option market) of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated Memorandum of Association of our Company, conditionally adopted on 24 June 2018 with effect from the Listing, a summary of which is set out in Appendix III
“middle-class”	households in PRC having annual incomes between RMB90,000 and RMB200,000
“Miji Beijing”	米技電子電器(北京)有限公司 (Miji Electronics and Appliances (Beijing) Limited*), a company incorporated in the PRC on 7 December 2017, with limited liability which is indirectly wholly-owned by our Company
“Miji Germany”	Miji GmbH, a company incorporated in Germany on 28 June 2000 with limited liability which is indirectly wholly-owned by our Company
“Miji Holdings”	Miji Holdings Limited (米技控股股份有限公司), a company incorporated in BVI on 18 May 2017 with limited liability which is directly wholly-owned by our Company
“Miji Hong Kong”	Miji Germany (Hong Kong) Company Limited (德國米技(香港)有限公司), a company incorporated in Hong Kong on 16 January 2012 with limited liability which was indirectly wholly-owned by our Company before completion of the Reorganisation
“Miji International”	Miji International Group Limited (米技國際集團有限公司), a company incorporated in BVI on 22 May 2017 with limited liability which is indirectly wholly-owned by our Company
“Miji Investments”	Miji Hong Kong Investments Limited (米技香港投資有限公司), a company incorporated in Hong Kong on 29 June 2017 with limited liability which is indirectly wholly-owned by our Company
“Miji Shanghai”	Miji Electronics and Appliances (Shanghai) Ltd. (米技電子電器(上海)有限公司), a company established in the PRC on 16 October 2001 with limited liability which is indirectly wholly-owned by our Company

DEFINITIONS

“Miji Xuanshang”	米技炫尚智能家用電器(上海)有限公司 (Miji Xuanshang Intelligence Home Appliances (Shanghai) Company Limited*), a company established in the PRC on 14 March 2016 with limited liability which is indirectly owned as to 39% by our Company, as to 51% by Zhongke Tianjin, and as to 10% by Mr. Zhou
“Miji Yongxing”	上海米技甬興電器有限公司 (Shanghai Miji Yongxing Electrical Appliances Company Limited*), a company established in the PRC on 8 February 2012 with limited liability which is an indirect non-wholly owned subsidiary of our Company, which is indirectly owned as to 51% by Miji Shanghai and 49% by Shanghai Yongxing
“Mikaiyi”	上海米凱藝櫥櫃有限公司 (MKY Shanghai Mikaiyi Kitchen Co. Ltd*), a company established in the PRC on 30 June 2015 with limited liability which is indirectly wholly-owned by our Company
“Mr. Michel”	Mr. Walter Ludwig Michel (alias Walter Michel), an executive Director and the spouse of Madam Maeck
“Mr. Odajima”	Mr. Odajima Minoru, the sole shareholder of Shunzhi
“Mr. Yu”	Mr. Yu Fei (余飛), a former equity holder and former director of Mikaiyi
“Mr. Zhou”	Mr. Zhou Wenbing (周文炳), an equity holder of Miji Xuanshang and a former employee of our Group
“Nomination Committee”	the nomination committee of the Board
“OEM”	original equipment manufacturer
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.36 per Offer Share and expected to be not less than HK\$0.30 per Offer Share, at which Offer Shares are to be subscribed for, and to be determined in the manner further described in the paragraph headed “Structure and Conditions of the Share Offer – Pricing and allocation” in this prospectus
“Offer Share(s)”	the Public Offer Shares and the Placing Shares

DEFINITIONS

“One-stop Kitchen Solution”	the customised kitchen design and installation services offered to domestic consumers by Mikaiyi under the brand name “MKY” (米凱藝) 
“Over-allotment Option”	the option expect to be granted by our Company to the Underwriters, exercisable by the Joint Bookrunners (on behalf of the Underwriters) pursuant to the Placing Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 56,250,000 additional Shares at the Offer Price to, among other things, cover over-allocations in the Placing, if any, further details of which are described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company for cash at the Offer Price subject to the terms and conditions as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	337,500,000 new Shares being offered at the Placing Price under the Placing (subject to reallocation and the Over-allotment Option)
“Placing Underwriters”	the underwriters that are expected to enter into Placing Underwriting Agreement to underwrite the Placing
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing which is expected to be entered into between our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Placing Underwriters
“PRC Government” or “State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the content requires, any of them
“PRC Legal Advisor”	Shu Jin Law Firm, the legal advisor to our Company as to the laws of the PRC
“premium radiant stove”	radiant stoves with a retail price of not less than RMB800 per unit for single-burner models and not less than RMB2,000 per unit for multi-burner models

DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into by the Joint Bookrunners (on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about 6 July 2018 on which the Offer Price is determined, or such later time as the Joint Bookrunners (on behalf of the Underwriters) and our Company may agree, but in any event no later than 12 July 2018
“prospectus”	this prospectus being issued in connection with the Public Offer
“Public Offer”	the public offer by our Company of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 37,500,000 Shares initially offered by our Company for subscription pursuant to the Public Offer (subject to reallocation)
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the paragraph headed “Underwriting – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated 28 June 2018 relating to the Public Offer and entered into by, among others, our Company, the Controlling Shareholders, the executive Directors, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Co-Lead Manager and the Public Offer Underwriters as further described in the paragraph headed “Underwriting – Underwriting arrangements and expenses” in this prospectus
“Pujiang Factory”	the factory occupied by Shanghai Miji, which is located at Building 3 and Factory A, 3585 Sanlu Road, Pujiang County, Minhang District, Shanghai
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation arrangements undergone by our Group in preparation for the Listing as described in the paragraph headed “History, Development and Group Structure – Reorganisation” in this prospectus
“Remuneration Committee”	the remuneration committee of the Board

DEFINITIONS

“RMB” or “Renminbi”	the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange (國家外匯管理局)
“SCHOTT”	肖特玻璃科技(蘇州)有限公司 (SCHOTT Glass Technology (Suzhou) Limited*), a company established in the PRC with limited liability which was one of our top five suppliers during the Track Record Period
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Shanghai Catering”	上海談味餐飲管理有限公司 (Shanghai Tanwei Catering Management Company Limited*) (formerly known as 上海米技餐飲管理有限公司 (Shanghai Miji Catering Management Company Limited*)), a company established in the PRC on 10 November 2011 with limited liability which had been transferred to an Independent Third Party on 21 August 2017. Immediately before the sale, it was indirectly owned as to 80% by our Company
“Shanghai Yongxing”	上海甬興塑膠有限公司 (Shanghai Yongxing Plastic Company Limited*), a company established in the PRC which is an Independent Third Party save for having 49% equity interest in Miji Yongxing
“Share(s)”	ordinary shares in the share capital of our Company, with a nominal or par value of HK\$0.01 each, which are to be traded in Hong Kong dollars and listed on the Main Board
“Shareholder(s)”	holder(s) of the Shares
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme of our Company approved and conditionally adopted by our Board on 24 June 2018, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in Appendix IV in this prospectus

DEFINITIONS

“Shunzhi”	Shunzhi Investment Limited (順智股份有限公司), a company established in the BVI on 29 August 2017 with limited liability which is directly wholly-owned by Mr. Odajima
“Shunzhi Subscription Agreement”	a subscription agreement in Chinese dated 12 September 2017 entered into between Shunzhi and Miji Holdings in relation to the allotment and issuance of five shares by Miji Holdings to Shunzhi at a consideration of HK\$5,800,000
“Sole Sponsor”	Dakin Capital Limited, a licensed corporation under the SFO permitted to carry out type 6 (advising on corporate finance) regulated activity, being the sole sponsor of the Share Offer
“sq.m”	square metre
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“Tianjin Haoshi”	天津浩石科技有限公司 (Tianjin Haoshi Technology Co., Ltd*), formerly known as 米技電子電器(天津)科貿有限公司 (Miji Electronics and Appliances (Tianjin) Kemao Ltd.*), a company established in the PRC on 16 February 2006 with limited liability which was directly owned as to 30% by Madam Maeck before completion of the Reorganisation
“Track Record Period”	comprises the three financial years ended 31 December 2015, 2016 and 2017
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters

DEFINITIONS

“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“upper-middle class”	households in the PRC having annual incomes between RMB200,000 and RMB350,000
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1993, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“VAT”	a value-added tax
“ WHITE Application Form(s)”	the application form(s) for use by the public who requires such Public Offer Shares to be issued in the applicants’ own names
“Wide Big”	Wide Big Investment Limited (寬廣投資有限公司), formerly known as Wide Big Limited (廣大有限公司), a company incorporated in the BVI on 10 January 2017 with limited liability which is directly wholly-owned by Madam Maeck, our executive Director and one of our Controlling Shareholders
“ YELLOW Application Form(s)”	the application form(s) for the use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“Zhongke Beijing”	北京中科資源有限公司 (Beijing Zhongke Resources Company Limited*), a company established in the PRC with limited liability which was a state-owned enterprise and was one of our top five customers during the Track Record Period
“Zhongke Group”	Zhongke Beijing and its subsidiaries

DEFINITIONS

“Zhongke Tianjin”	中科資源(天津)貿易有限公司 (Zhongke Resources (Tianjin) Trading Company Limited*), a company established in the PRC with limited liability, which is wholly-owned by Zhongke Beijing and one of our top five customers during the Track Record Period
“%”	per cent

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.

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

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus that marked with “*” is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

GLOSSARY

This glossary contains terms used in this prospectus in connection with us. As such, these terms and their meanings may not correspond to standard industry meanings or usages of these terms.

“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over a certain time period
“CCC”	中國國家強制性產品認證證書 (Certificate for China Compulsory Product Certification), a certificate required for the sale of products on the list of 《強制性產品認證目錄》 (Catalogue for products required for Compulsory Product Certification) in the PRC
“CE”	CE mark, a mandatory marking on certain products which is required if they are placed on the market in the European Economic Area (EEA), to indicate conformity with the essential health and safety requirements set out in all applicable Directives issued by the European Union. By affixing the CE mark, a manufacturer, or its representative, or the importer assures that a product meets all the essential requirements of all applicable Directives issued by the European Union
“GS”	GS mark, a mandatory certification mark and a licensed mark of the German government and may only be issued by an accredited product safety testing and certification agency for proving that an electrical, mechanical or electro-mechanical product was tested and complies with the minimum requirements of the German Equipment and Product Safety Act (GPSG)
“Hobs and Stoves”	cooking devices including but not limited to flex-induction and ceramic glass radiant cooktops/hobs and freestanding cookers
“ISO9001”	an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing

GLOSSARY

“QB/T 4404-2012”

中華人民共和國輕工業標準 (Light Industry Standard of the PRC*) issued by Ministry of Industry and Information Technology of the PRC (中華人民共和國工業及信息化部) in relation to cooking range

“VDE”

Verband Deutscher Elektrotechniker standard mark, a voluntary certification mark, granted by VDE Association for Electrical, Electronic and Information Technologies founded in Germany testing and certification of electrotechnical equipment, components and systems

* *For identification purpose only*

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. All statements other than statements of historical fact contained in this prospectus, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the risk factors set forth under the section headed “Risk Factors” in this prospectus and the following:

- our Group’s business prospects;
- our Group’s contracts on hand;
- future developments, trends and conditions in the industry and markets in which we operate;
- our Group’s business strategies and future plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our Group’s financial position;
- our Group’s ability to reduce costs;
- our Group’s dividend policy;
- the amount and nature of, and potential for, future development of our Group’s business;

FORWARD-LOOKING STATEMENTS

- various business opportunities that our Group may pursue;
- capital market developments;
- our Group's ability to source parts and components for our production;
- fluctuation in the prices of parts and components and OEM products and our ability to pass-through any increases in price to customers;
- our Group's ability to protect our Group's intellectual property rights;
- our Group's ability to hire and retain talented employees;
- the actions and developments of our competitors and our Group's ability to compete under these actions and developments;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. We caution you not to place undue reliance on any forward-looking statements or information.

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

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Shares. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected. The market price of the Offer Shares could fall significantly and you may lose all or part of your investment.

Investing in our Shares involves certain risks, some of which cannot be controlled or can hardly be mitigated. There are three main categories of risks: (i) business and industry risks; (ii) the PRC specific risks; and (iii) Shares specific risks. Prospective investors in our Shares should consider carefully all the information contained in this document, especially the relevant sections on risk factors.

BUSINESS AND INDUSTRY RISKS

Our sales depend on the popularity of our brand and the products we offer.

Our sales are dependent, in part, on the strength and reputation of the brand that we carry and are subject to customer perception of the products that we sell. Our success depends significantly on our ability to sell products under our brand, which in turn depends on the market perception and acceptance of our brand. Negative publicity or disputes in China or overseas about our own-branded products could materially and adversely affect public perception of our brand and products. Any significant damage to the image of any of these brands could materially and adversely affect our business, financial condition and results of operations.

We believe that end-customers value our reputations for selling products that adhere to high quality and safety standards. If the products that we sell fail to adhere to quality and safety standards that meet the expectations of end-customers or if there is any negative publicity or product recalls in connection with the products that we sell, our corporate image and/or the reputation of our brand may be materially adversely affected, and we may therefore lose customer orders and face product liability claims.

Our sales is subject to changes in customer preferences and other macroeconomic factors that affect customer spending patterns.

Our business is subject to, among other things, changes in consumer preferences and spending patterns. The success of our operations depends in part on our marketing and product development capabilities, our ability to develop new products that gain customer acceptance and our ability to make available sufficient quantities of attractive and popular merchandise to satisfy customer demand. It is important for us to keep track of market trends and put emphasis on having close contacts with our end-customers in order to anticipate, identify and respond promptly to trends and changes in consumer preferences and spending patterns. In the event that we are unable to anticipate or respond to changes in consumer preferences and spending patterns, we will not be able to maintain our competitiveness and our performance may be adversely affected.

RISK FACTORS

Furthermore, customer spending patterns are affected by, among other factors, general and local economic conditions, interest rates, inflation, taxation, government austerity measures, uncertainties about future economic prospects and shifts in discretionary spending toward other goods and services. Customer preferences, spending habits and economic conditions may differ or change from time to time in the markets in which we operate. We cannot guarantee that we will be able to maintain our historical growth rates of revenue and profit, or remain profitable, particularly if the retail environment is stagnant or declines in the event of a recession in the general economy.

We rely upon a small number of major customers that accounted for a significant portion of our revenue.

Our revenue from our top five customers accounted for approximately 76.4%, 68.0% and 46.3% of our total revenue during the Track Record Period. Zhongke Group was our largest customer for the two years ended 31 December 2016 and our second largest customer for the year ended 31 December 2017. Sales to Zhongke Group accounted for approximately 44.7%, 39.5% and 13.7% of our total revenue during the Track Record Period. For details of our relationship with Zhongke Group, please refer to the paragraph headed “Business – Our customers – Relationship with Zhongke Group and other distributors” in this prospectus. There is no assurance that our business relationship with our existing major customers will be maintained upon expiry of our existing distribution agreements with these customers as they are not obliged to enter into new agreements with us. If they choose not to do so or if they significantly reduce the amount of purchases from us, we may not be able to find other customers to recoup the loss of revenue. As a result, our business operations, financial results and profitability may be adversely affected.

Our Group’s revenue is subject to seasonal fluctuations.

Our Group’s revenue may be affected by seasonality. Our Group’s results of operations varied from season to season in the past and are likely to continue to fluctuate in the future. For the Track Record Period, the average revenue of our Group for the period from September to February was higher than the revenue for the period from March to August. Please refer to the paragraph headed “Financial Information – Seasonality factor” in this prospectus for further details. Such seasonality is primarily attributable to the traditional peak seasons in sales in the consumer electronics market which include the National Day holidays, Singles’ Day online shopping festival, Christmas and Chinese New Year holidays. Accordingly, any comparison of our Group’s results of operations between interim and annual results in a financial year is not necessarily meaningful. As a result, our Group’s interim results should not be referred to as an indicator of our Group’s performance for that financial year.

We are dependent on online and television platform.

Online and television broadcasting sales platforms play a critical role in our overall sales. Inability or restrictions to utilise any of our key online sales or television broadcasting sales platforms due to reasons including but not limited to any adverse change in the internet and television censorship regulations or internet breakdown etc. may materially and adversely affect our operating results and business and financial condition.

RISK FACTORS

Also, the long-term viability and prospects of online sales business models in China depends on many factors, most of which are beyond our control, including:

- the stability and growth of Internet, broadband, personal computer and mobile penetration and usage as well as online platforms in China;
- the trust and confidence level of online shoppers in China, as well as changes in customer demographics and customer tastes and preferences;
- the selection, price and popularity of products that we and our competitors offer online;
- the emergence and development of alternative retail channels or business models that better address the needs of end-customers; and
- the development of fulfillment, payment and other ancillary services associated with online purchases.

A decline in the popularity of online shopping or any failure to improve the online shopping experience of end-customers in response to trends and customer requirements may adversely affect our sales, operations and growth prospects. Furthermore, China's online sales industry is very sensitive to macroeconomic changes, and retail purchases tend to decline during recessionary periods. Many factors that are beyond our control can adversely affect customer confidence and spending, including inflation and deflation, volatility of stock and property markets, interest rates, tax rates and other government policies and unemployment rates, which could in turn materially and adversely affect our growth prospects and profitability.

We rely heavily on our distributors to sell our products to end-customers.

During the Track Record Period, revenue from the sales to our distributors accounted for approximately 56.6%, 55.6% and 40.4% of our total revenue, respectively. If our relationship with our major distributors deteriorates, or if they are otherwise unable or unwilling to conduct business with us, our business and prospects could be adversely affected. If any of the following events were to occur, our business, financial condition, results of operations and cash flows may be negatively impacted:

- reductions, delays or cancellations of orders from one or more of our distributors;
- significant sales of our competitors' products by our distributors;
- significant changes to our distributors' business models, policies, systems or plans that impair or inhibit our ability to sell products to them;
- failure to renew agreements for the distribution of products and maintain relationships with our existing distributors; and

RISK FACTORS

- failure to establish relationships with new distributors on favorable terms.

We have limited control over the operations of our distributors.

We enter into distribution agreements with our distributors, whereby we generally can manage their sales of our products, in respect of, *inter alia*, retail price, minimum sales target, and geographical coverage through the terms of distribution agreements, however, there is no assurance that our distributors will always follow the terms and conditions under our distribution agreements or they will not compete with each other for market share in respect of our products. Since we have limited control over the sales activities of our distributors and cannot track in real-time the sales of our products and the inventory level of our distributors, there is no assurance that their sales activities will always be carried out up to our expected sales quantity and service standards. If our distributors fail to operate in accordance with our policies and standards and up to our expectation, our reputation may be harmed and we may not be able to gather sufficient information and data regarding the market demand of our products in a timely manner. Failure to accurately track the performance of our distributors and gather market information in a timely manner may cause us to incorrectly predict sales trends and impede us to quickly align our marketing and product strategies to market changes and may have an adverse effect on our business, results of operations and financial condition.

Furthermore, our distributors' operation of stores or other sales channels must comply with the relevant PRC and other relevant jurisdictions' laws and regulations. If any of our distributors is required to suspend or cease their operations as a result of non-compliance with the relevant laws and regulations, our results of operations, market share, geographical coverage and brand image may be adversely affected.

Our measures implemented to minimise the risk of cannibalisation between distributors and our Company and/or among the distributors within the same sales channel and/or among different sales channels may not be effective.

We are unable to prevent our potential end-customers from opting one distributor or one sales channel over another for personal, technological, geographical or economic reasons. We have implemented various measures to minimise the risk of cannibalisation between distributors and our Company and/or among the distributors within the same sales channel and/or among different sales channels. For further details, please refer to the paragraph headed "Business – Distributorship". If these measures are ineffective, channel stuffing and cannibalisation between distributors and our Company and/or among the distributors within the same sales channel and/or among different sale channels may adversely affect our direct sales business and the performance of our distributors.

We rely on suppliers to supply the components of our electric stove products.

We do not engage in the manufacture of the components of our Hobs and Stoves products. Our purchases from our top five suppliers represented approximately 65.7%, 66.7% and 57.3% of our total purchase during the Track Record Period, respectively. Our business is dependent to

RISK FACTORS

a large extent upon the stable supply of components of our Hobs and Stoves products from our suppliers at reasonable prices. We typically enter into agreements with suppliers. We cannot assure that we will be able to renew our agreement with existing suppliers when such agreement expires on commercially reasonable terms, or at all. If we fail to maintain stable relationships with our suppliers, we may not be able to secure a stable supply of these components at reasonable prices, which, in turn, may materially and adversely affect our business, financial condition and results of operations. In particular, the production of ceramic glass-tops, which we source from SCHOTT, and heat-generating components, which we source from EGO, at standard and prices acceptable to us are dominated by a few suppliers including SCHOTT and EGO in the industry and we currently only source each of these key components from only one supplier, there can be no assurance that we will be able to find supplier(s) operating at an acceptable standard and at similar prices should we fail to maintain stable relationships with these suppliers.

We may not be successful in the development of new products or improvement in the quality of our existing products.

During the Track Record Period, sales of radiant Hobs and Stoves remained the largest contributor to our revenue and accounted for approximately 93.9%, 86.9% and 79.4% of our total revenue for the same periods, respectively. We rely on our research and development department to develop new products as well as develop new production technologies to improve our existing products. Our ability to continue offering new product categories depends on our ability to incorporate technological advancements and innovations in our products. We cannot assure you that we will be able to launch new and better products in the future. Development of new products or improvement of our existing products can take very long time and can also be very costly. If we are not successful in developing new products and new techniques or we fail to translate our product development efforts into commercial production or our new products do not receive favorable market response, we may not be able to recover the relevant product development costs incurred. This could restrict our ability to compete in the market and, in turn, our business and financial condition and operating results may be materially and adversely affected.

Future sales and financial performance arising from our expansion of showrooms and consignment stores may not reach the same level of return as our existing showroom and consignment stores.

Our success in first-tier cities like Shanghai in the PRC may not guarantee our success in other cities under our expansion plan because of a potentially large discrepancy in disposable income, preference and knowledge about technologically advanced kitchen appliances. If the future sales are lower than expected in the new cities, our financial performance may be adversely affected.

RISK FACTORS

Our strategies to increase the number of consignment stores in the PRC may not be successful.

We plan to continue to expand our operations by entering into new geographical regions in the PRC and increasing penetration of existing markets. We plan to establish additional consignment stores and expand our sales coverage in the PRC through developing business relationships with more distributors who operate sales points. However, there is no assurance that we will be able to increase the number of distributors or to successfully operate, manage and generate profit from the additional consignment stores as planned. We might not be able to identify and secure attractive locations for new consignment stores at commercially acceptable terms, attract and retain skilled personnel, or engage quality, cost-efficient logistics service providers to support our expansion plan. Also, we may not be able to renew the consignment store agreements with our retail partners as they expire, or identify and engage new consignees to expand our consignment network, therefore our business, result of operations and future growth might be adversely affected.

In addition, the expansion of our consignment stores network may put pressure on our managerial, financial, operational and other resources. If we are unable to effectively manage our expansion or control the rising costs associated with such expansion, our financial condition and results of operation could be materially and adversely affected. To manage and support our growth, we will improve our existing operation and administrative systems and enhance our financial and management control. Accordingly, our growth also depends on our ability to recruit, train and retain additional qualified management personnel as well as other administrative, sales and marketing personnel, particularly as we expand into new markets. We cannot assure you that we will be able to manage any future expansion effectively and efficiently. Any failure to do so may materially and adversely affect our ability to capitalise on new business opportunities, which in turn may have a material adverse effect on our business and result of operation.

We may face some inherent risks from the technological development of 米技電爐具智能化服務平臺 (Smart Service Platform for Miji Electric Stoves*).

Our mobile application development may expose us to new laws and regulations to which we have never been subjected to. The additional attention and resources needed for such development may adversely affect our performance in our existing channels. Our smart service platform may also be at risk from virus attacks and unwarranted intrusion from hackers, as technological developments are usually susceptible to unwarranted viruses and intrusion. Therefore, there is an additional risk that we may incur liability from these breaches.

We face intense competition in our business in the PRC.

We generally face competition from brands with similar brand positioning based on brand recognition, design, product mix, quality, price, customer service and breadth of retail network, among other factors. Our rapid growth may also attract attention and concerns from our competitors and new market players to adopt similar brand positioning with their brands as us.

RISK FACTORS

There is no assurance that we will be able to compete effectively against competitors who may have greater financial resources, greater scales of production, superior technology, better brand recognition and a wider, more diverse and established sales network. In order to maintain our market share and remain competitive, we may be forced to provide more sales incentives to our salesperson, consignees and distributors, and increase capital expenditures, which may in turn negatively affect our profit margins and our results of operations.

We may not be able to price our products at our desired margins as a result of any decrease in our bargaining power or changes in market conditions.

We set prices for our products primarily based on the following factors: (1) brand positioning; (2) competing products' price; (3) costs of production; (4) current demand and supply; (5) expected profit margin, (6) distribution channels and (7) operation scale of our customers and their purchase quantities. We periodically review these factors and negotiate with the customer on prices for the products. Our ability to set favourable prices at our desired margins and to accurately estimate costs, among other factors, has a material impact on our profitability, particularly for our business. We cannot assure you that we will be able to maintain our pricing or bargaining power or that our gross profit margin will not be driven down by market conditions or other factors. In the event that we see higher pricing pressure due to intensified competition from other manufacturers, continued decrease in prices to our customers in the end market or any other reasons, or if we otherwise lose bargaining power due to weaker demand for our products, we may need to lower the prices and margins of our products. Moreover, we may not be able to accurately estimate our costs or pass on all or part of any increase in our costs of production, in particular the costs of parts and components to our customers. As a result, our results of operations could be materially and adversely affected.

Any dispute or claim in relation to our leased properties may adversely affect our ability to use these properties.

Any dispute or claim in relation to the titles of the properties that we occupy, including any litigation involving allegations of illegal or unauthorised use of these properties, could require us to relocate our business operations occupying these properties. If any of our leases are terminated or voided as a result of challenges from third parties or the government or if the lease is otherwise not renewed by our landlords upon expiration, we would need to seek alternative premises and incur relocation costs. Furthermore, there can be no assurance that the PRC Government will not amend or revise existing property laws, rules or regulations to require additional approvals, licenses or permits, or impose stricter requirements on us to obtain or maintain relevant title certificates for the properties that we use.

Any failure in our quality control system could harm our business and lead to potential product liability claims for compensation if our products are found to be defective.

In the event that any of our products are alleged or found to be defective, we may be subject to product liability claims. 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.

RISK FACTORS

Despite having an established quality control system in place, 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 operating results. Moreover, product failures or defects, and any complaints or negative publicity, could result in a decrease in sales of our Group. Even if the product defects are attributable to parts and components or OEM products 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.

We may be subject to risk in relation to unauthorised use of our brand name by third parties.

Our brand is critical to the success of our business. Unauthorised use of our brand name by third parties may adversely affect the value of our brand name, business and reputation, including the perceived quality and reliability of our products. We rely on trademark law to protect the value of our brand. Yet, we may be unable to prevent unauthorised use of our brand names by third parties. In certain circumstances, litigation may be necessary to protect our brand names. However, because the validity, enforceability and scope of protection of trademarks in the PRC and overseas are uncertain and/or still evolving, we may not be successful in prosecuting these cases. Further, litigation could also result in substantial costs and diversion of our resources, and could disrupt our business.

Sale of counterfeit or imitated products of our products may affect our reputation and profitability.

The occurrence of counterfeiting of our products, such as unauthorised imitation, replication of our design, infringement of trademarks or labelling by third parties may affect our reputation and profitability. Our Directors are not aware of any material counterfeiting and imitation of our Group's products during the Track Record Period. Our Group will closely monitor to see whether there will be any unauthorised use of our design and trademarks, counterfeiting or imitation of our products in the future. We cannot assure you that counterfeiting and imitation would not occur, or if it does occur, that we would be able to detect and address the problem effectively. A significant presence of counterfeit products in the market could have a negative impact on the value and image of our brand, lead to loss of consumer confidence in our brand and, as a consequence, materially and adversely affect our business, results of operations and financial condition.

We may not be able to adequately protect our intellectual property rights.

Our patents, trademarks and other intellectual property rights are important to our business. To protect our intellectual property rights, we have registered patents and trademarks in, among others, the PRC, Germany and Hong Kong. Please refer to the paragraph headed "Business – Intellectual Property Rights" in this prospectus for further details. We rely on trademark and

RISK FACTORS

copyrights laws and confidentiality agreements with our key employees to protect our intellectual property rights. We cannot assure you that these measures will be sufficient to prevent any misappropriation of our intellectual property. Moreover, existing laws in the PRC are still developing and may not protect intellectual property rights to the same extent as similar laws of other countries. Any significant leakage of our confidential information or infringement of the proprietary technologies and processes used in designing and producing our products could weaken our competitive position and have a material adverse effect on our business, results of operations and financial condition.

We rely on third-party logistics service providers and courier companies to deliver our products.

We engage Independent Third Party logistics service providers to deliver our products directly from our warehouses to our direct sales customers and distributors. We also deliver orders placed on our online platforms through express delivery services from reputable third-party courier companies with nationwide coverage. Disputes with or a termination in our contractual relationships with one or more of our logistics service providers or courier companies could result in delayed delivery of products, increased costs or customer dissatisfaction. There can be no assurance that we can continue or extend relationships with our current logistics service providers or courier companies on terms acceptable to us, or that we will be able to establish relationships with new logistics service providers or courier companies to ensure accurate, timely and cost-efficient delivery services. If we are unable to maintain or develop good relationships with logistics service providers or courier companies, it may inhibit our ability to offer products in sufficient quantities, on a timely basis, or at prices acceptable to our end-customers. We cannot guarantee that no interruptions would occur which would materially and adversely affect our business, prospects or results of operations.

As we do not have any direct control over these logistics service providers or courier companies, we cannot guarantee their quality of services. Also, services provided by these logistics service providers and courier companies could be interrupted by unforeseen events beyond our control such as poor handling provided by these logistics service providers and courier companies, natural disasters, pandemics, adverse weather conditions, riots, labour strikes, mishandling of products. If there is any delay in delivery, damage to products or any other issue, we may lose end-customers and sales and our brand image may be tarnished.

We are exposed to credit risk of our customers.

Our trade and bills receivables as at 31 December 2015, 2016 and 2017 were approximately RMB18.7 million, RMB40.8 million and RMB43.2 million, respectively. As at 31 December 2015, 2016 and 2017, the average trade and bills receivables turnover days were approximately 26.8 days, 47.6 days and 60.1 days, respectively. We generally grant credit period ranging from 30 to 90 days for consignment sales; 30 to 60 days for television sales; and up to six months for corporate sales. For online sales, sales to distributors and new customers with smaller business scale, we generally require them to make full payment before product delivery. Should the credit worthiness of our customers deteriorate or should our customers fail to settle their trade

RISK FACTORS

receivables for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected. During the Track Record Period, we recognised provision for impairment of trade and bills receivables of nil, nil and approximately RMB0.7 million, respectively. In addition, there may be a risk of delay in payment by our Group's customers from their respective credit period and we may have to raise additional borrowings in order to meet our payment obligations on time and in full, which may adversely affect our liquidity and financial position. There is no assurance that we will be able to fully recover our trade receivables from our customers or that they will settle our trade receivables in a timely manner. In such events, the financial position, profitability and cash flow of our Group may be adversely affected.

Changing consumer preference may adversely affect our sales and increase the risk of obsolescence for our inventory.

During the Track Record Period, our inventory mainly comprised of (i) parts and components, such as radiant heaters and ceramic glass; and (ii) finished goods and OEM products sourced from our suppliers. Our inventories amounted to approximately RMB56.6 million, RMB35.6 million and RMB45.0 million as at 31 December 2015, 2016 and 2017, respectively. For each of the three years ended 31 December 2017, our average inventory turnover days were approximately 157.8 days, 143.0 days and 123.6 days, respectively. We did not have obsolete and slow-moving inventories and therefore no provision was made for the three years ended 31 December 2017, respectively.

Our sales depend heavily on consumer demand in radiant stoves. Changes in preferences for cooking stoves could significantly influence our sales. In addition, we may also face the risk of obsolescence if we are unable to adjust our inventory level in response to the changing consumer preference in a timely manner. We may have to recognise impairment loss on our inventory, which could adversely affect our operating results and financial condition.

Our liquidity and operating results may be adversely affected if we breach our debt covenant.

During the Track Record Period, we were subject to debt covenants on certain bank borrowings and we breached one of the debt covenants in respect of a bank borrowing with outstanding balance of RMB6.0 million as at 31 December 2016. For further details of our bank borrowings and the aforesaid breach, please refer to the paragraph headed "Financial Information – Indebtedness – Bank borrowings". As at 31 December 2017 and the Latest Practicable Date, we were not subject to any debt covenants. But we cannot guarantee that we will not be subject to any debt covenants on our new bank borrowings in the future. Lenders have the right to demand us to early repay our outstanding borrowings when we fail to meet the debt covenants. If we are unable to source alternative financing at a reasonable cost, our liquidity and operating results will be adversely affected. In addition, breach of debt covenant may also adversely affect our credit worthiness, which in turn raises the difficulty and costs of future financing and affects our growth in the future.

RISK FACTORS

Our future financial performance will be negatively affected by the Listing expenses incurred in connection with the Share Offer.

Our financial results for the year ending 31 December 2018 will be affected by non-recurring expenses in relation to the Listing. The estimated expenses in relation to the Listing are approximately RMB27.4 million. Our Group expects to charge approximately RMB9.8 million to the profit or loss and the remaining of approximately RMB3.3 million will be charged against equity upon successful Listing under relevant accounting standards.

Whether or not the Listing eventually occurs, a major portion of the Listing expenses will have been incurred and recognised as expenses, which will reduce our net profit and therefore negatively affect our future financial performance. In addition, if the Listing were to be postponed due to market conditions, we would also need to incur additional Listing expenses for our future listing plan, which would further negatively affect our future net profit. As a result, our business, financial performance, results of operations and prospect would be materially and adversely affected.

We are heavily reliant on the efficient, proper and uninterrupted operation of our administrative facilities and warehouses.

We are heavily reliant on the efficient, proper and uninterrupted operation of our administrative facilities and warehouses in order to grow our business and meet our contractual obligations with our distributors. Power failures or disruptions, the improper installation or operation of equipment and the destruction of buildings, equipment and other facilities due to natural disasters such as hurricanes, fire, flooding or earthquakes would severely affect our ability to continue our operations. We currently do not carry any business interruption insurance. No assurance can be given that our insurance coverage would be adequate to compensate us for the actual cost of replacing our buildings, equipment and infrastructure nor can we assure you that such events would not have a material adverse effect on our business, financial condition and results of operations and prospects.

We may be exposed to product liability, property damage or personal injury claims.

Our products expose us to potential product liability claims if their use causes or is alleged to have caused personal injuries, property damages or other adverse effects. Any product liability claim or regulatory action, with or without merit, could be costly and time-consuming to defend. While it is not specifically required under the PRC laws, we have maintained limited product liability insurance to cover potential product liability arising from the sale of our products. Other than our product liability insurance policies, we have no specific measures in place to mitigate any potential liabilities we may face from third parties. In addition, we may not be able to purchase or maintain sufficient product liability insurance coverage on commercially reasonable terms, or at all. Future liability claims could be excluded from or exceed the coverage limits of our policies. If we are found liable for any product liability claim, we may be required to pay substantial damages. Even if we are successful in defending such a claim, we may incur substantial financial and other resources in defending such a claim. In such

RISK FACTORS

circumstances, our financial results will be adversely affected. Depending on the outcome of any such claims, the reputation of our brand could also be adversely affected. We may incur significant costs and expenses to defend against such claims or enter into settlement agreements. We may be fined or sanctioned, which could materially and adversely affect our reputation, business, prospects, financial condition and results of operations. During the Track Record Period, our Group has not been subjected to any material product liability claim, nor have we made any material claims under our insurance policies or experienced any material business interruption.

We rely on the proper function of our information technology and communications systems.

We rely on the uninterrupted operation of our information technology and communications systems for our operations, including manufacturing, sales, accounting and internal control. Our information technology and communications systems are vulnerable to damage or interruption from earthquake, fire, flood, hurricane and other natural disasters, power loss, computer systems failure, internet and telecommunications or data network failure, and hackers, computer viruses, software bugs or glitches.

Any damage or significant disruption in the operation of such systems or the failure of our information systems to perform as expected would disrupt our business, hence materially and adversely affecting our business, results of operations or financial condition.

We may not be successful in implementing our business strategies.

We plan to implement a number of business strategies for the purpose of strengthening our market position in the radiant stove industry in the PRC through expansion of our business in the PRC by increasing our products' geographical and sales channel coverage and market share. These business strategies include the followings:

- establish new showrooms and consignment stores in selected major cities in the PRC;
- expand and strengthen our sales and marketing department and channels;
- continue the project of 米技電爐具智能化服務平臺建設 (Establishment of Smart Service Platform for Miji Electric Stoves*); and
- expand our product portfolio.

Further information on our business strategies is set forth in the paragraph headed “Business – Our strategies and future plans” in this prospectus. The implementation of these new business strategies has its own inherent risks, and such business strategies may or may not be successful implemented or that such business strategies may not result in the desirable outcome expected by us. We also may not have the experience in the implementation of such new

RISK FACTORS

business strategies or may encounter such difficulty as we have never anticipated. In any of these events, our operating results and business and financial condition could be materially and adversely affected.

Future expansion plans are subject to uncertainties and risks and therefore may not materialise.

We have set out our future plans in the section headed “Future Plans and Use of Proceeds” in this prospectus. Whether our future plans can be implemented successfully may be beyond our control and future events may affect the implementation of our expansion plans, such as changes in general market conditions and rules and regulations applicable to us.

Furthermore, our ability to achieve our growth objectives depends heavily on the level of success in implementing our future business plans which depends on a number of factors including acceptance level of our products in new markets, rate of economic growth, and cultural differences. Any failed attempts to expand sales would be wasting new production lines, labour force, and managerial overheads. We give no assurance that our future business plans will be materialised as we originally expect or will be executed within the intended timeframe, or will result in revenue or profit as expected. As these business plans inherently involve substantial time, investment, cash outflows and market risks, our profitability, operations, prospects and/or financial conditions may deteriorate if any or all of our future plans cannot be accomplished in the manner described in the section headed “Future Plans and Use of Proceeds” in this prospectus.

Also, we may come across other opportunities to expand our business. In such circumstances, the proceeds from the Share Offer may not be sufficient to develop these opportunities and we may need to obtain additional financing to fund our future capital expenses. If we are unable to secure adequate funds for our business needs in a timely manner, we may not be able to fully implement our future plans effectively and successfully.

We rely on our Directors, senior management and key personnel.

Our business growth largely depends on the continued contribution from, and our ability to retain, our Directors, senior management and key personnel. The expertise and experience of our Directors and senior management in our industry are crucial to our success. Our success also depends on our key personnel with extensive managerial, technical, research and development or sales experience. We cannot assure you that the service of our Directors and senior management and key personnel will continue in the future. Should any of our current Directors, senior management or key personnel become unable or unwilling to work for us, we may incur additional expenses to recruit and retain suitable replacements. In the event that we are unable to recruit new talents who have similar knowledge or experience, or if any of our Directors, senior management or key personnel joins our competitors or establishes a new company that becomes a competitor, our business may be adversely affected.

RISK FACTORS

We may be subject to prolonged or significant disruption to our manufacturing operations.

In the event our business's production facilities are disrupted due to reasons such as manufacturing or human error, technical or mechanical malfunctions, tempering by third parties of our mechanical production lines, natural disasters, or quality issues relating to parts and components or OEM products supplied by suppliers and destruction of warehouse due to natural disaster causing a shortage on stock and inventory for sales, our business and financial performance may be adversely affected. Such problem will be more severe if there is shortage of stock and inventory during typical sale seasons such as Chinese New Year.

If any prolonged or significant disruption to our manufacturing operations occurs, our operations and financial performance may be adversely affected.

We could sustain substantial losses from damages not covered by, or exceeding the coverage limits of, our insurance policies.

Insurance policies taken out by us, including those against product liability, public liability, property, employer's liability, medical for employees, are subject to exclusions and limitations of liability both in amount and with respect to the insured events. In particular, such exclusions include damages from acts of war, acts of terrorism, and damages from nuclear energy. Our assessment that we are sufficiently insured against contingencies may not be accurate. In addition, our insurers could become insolvent. Floods, fires, storms and similar natural disasters or other events may cause damages to our property or production facilities in excess of insurance coverage and may thus lead to significant costs in connection with remediation and repair work that must be borne by us. If we suffer a loss or incur a liability against which we are uninsured or insufficiently insured, this could adversely affect our business and financial condition and operating results.

THE PRC SPECIFIC RISKS

The rapidly changing political, social, economical, cultural, legal and governmental policies of the PRC.

Most of our revenue is generated from the PRC market and we expect to continue to heavily depend on the PRC market. During the Track Record Period, approximately 99.7%, 99.2% and 99.5% of our revenue, respectively, was derived from sales to customers with our operation in the PRC. Also, a significant proportion of our products are manufactured in the PRC. As such, our business results, financial condition and financial prospect are significantly influenced by the economic, political and social environment and governmental policies in the PRC.

The economy of most developed countries differ from the economy of the PRC. The differences include, but not limited to, the degree of involvement from the PRC government, the rate of growth and the degree of development, the control of foreign exchange and the allocation of resources. The PRC's economy used to be a planned economy, and a substantial portion of

RISK FACTORS

productive assets in the PRC are still owned by the PRC government. The PRC government exercises substantial control over the PRC's economic growth by allocating resources, setting monetary policies and providing preferential treatment to particular industries or companies. While the PRC government has implemented economic reform measures to introduce market forces and to establish sound corporate governance in business enterprises, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. Hence, we cannot assure you that we may be able to benefit from all, or any, of the measures which are under constant adjustments.

Interpretation of the PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to investors.

Our Group's business is primarily conducted in China and is therefore subjected to the PRC laws and regulations. The operating subsidiaries of our Company are located in China and are also governed by the laws and regulations of the PRC. Since the PRC legal system is a civil law system which is based on written statutes rather than developed through case-law, prior court decisions have little, if any, precedential value and can only be used as a reference. In addition, the principle-oriented laws of the PRC laws often require detailed interpretations by its various governmental institutions, thereby causing further uncertainty as to the application of its laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. These laws, regulations and legal requirements are relatively new and are often changing, and their interpretation and enforcement involve significant uncertainties that could limit the reliability of the legal protections available to us.

As the future developments of the PRC legal system is not readily ascertainable, applications or cases presented to any agencies may receive less favorable interpretations of laws and regulations that its competitors, creating more uncertainty. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors.

We are subject to consumer protection laws that may require us to modify our current business practices and incur increased costs.

We are subject to numerous PRC laws and regulations that regulate retailers generally or govern online retailers specifically, such as the Consumer Protection Law. If these regulations were to change or if we or our suppliers were to violate them, the costs of certain products or services could increase, or we could be subject to fines or penalties or suffer reputational harm, which could reduce demand for the products or services offered on our website and hurt our business and results of operations. For example, the amended Consumer Protection Law, which became effective in March 2014, further strengthened the protection of consumers and imposes more stringent requirements and obligations on business operators, especially on business that

RISK FACTORS

operate on the Internet. Pursuant to the Consumer Protection Law, consumers are generally entitled to return goods purchased within seven days upon receipt without giving any reasons if they purchased the goods over the Internet. Consumers whose interests have been damaged due to their purchase of goods may claim substandard or defective products, they should not only compensate customers for their losses, but also pay additional damages equal to three times the price of the goods and services. Legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws, which may increase our costs and materially limit our ability to operate our business.

We rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

We conduct all of our business through our combined subsidiaries incorporated in China. We rely on dividends paid by these combined subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Each of our PRC subsidiaries is also required to set aside at least 10% of its after-tax profit based on the PRC laws and regulations each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. Our statutory reserves are not distributable as loans, advances or cash dividends. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. In addition, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

In addition, under the PRC Enterprise Income Tax Law, and its implementation rules and the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, dividends from our PRC subsidiaries paid to us through our Hong Kong subsidiary may be subject to a withholding tax at a rate of 10%, or at a rate of 5% if our Hong Kong subsidiary is considered as a “beneficial owner” that is generally engaged in substantial business activities and entitled to treaty benefits under the Double Taxation Arrangement (Hong Kong). Furthermore, the ultimate tax rate will be determined by treaty between the PRC and the tax residence of the holder of the PRC subsidiary. We are actively monitoring the withholding tax and are evaluating appropriate organisational changes to minimise the corresponding tax impact.

RISK FACTORS

The PRC regulations relating to loans and direct investment by offshore holding companies in the PRC entities may delay or prevent us from using the net proceeds of the Share Offer to contribute additional capital or make loans to our PRC subsidiaries.

We are an offshore holding company conducting our operations in the PRC through our PRC subsidiaries. In utilising the net proceeds we expect to receive from the Share Offer for the purposes described in the section headed “Future Plans and Use of Proceeds” in this prospectus, we may make loans or additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries which is treated as a foreign invested enterprise under the PRC law, are subject to the PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with SAFE or their local counterpart. We may also determine to finance our PRC subsidiaries or jointly controlled entity by means of capital contributions. These capital contributions may need to undergo the recordation formalities with by the Ministry of Commerce of the PRC or its local counterpart. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government recordation on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the net proceeds from the Share Offer to capitalise or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We may experience difficulties in effecting service of legal process, enforcing judgments or bringing original action in the PRC against us, our management or the experts named in this prospectus.

Our assets and operations are substantially located in the PRC. Furthermore, as some of senior executive officers reside outside Hong Kong. It may not be possible to effect service of legal process outside Hong Kong upon some of our senior executive officers with respect to matters arising under applicable securities laws.

The United States, the United Kingdom, Japan and many other countries do not have treaties providing for the reciprocal recognition and enforcement of civil and commercial judgments of courts with the PRC. As a result, recognition and enforcement in the PRC of judgments of a court in any of the other jurisdictions mentioned above in relation to any matter, which is not subject to binding arbitration awards, may be difficult or impossible.

We will be subject to the Listing Rules and the Takeovers Code upon the Listing. However, violations of the Listing Rules will not give rise to Shareholders actions against our Company under the Listing Rules. The enforcement of the Listing Rules remain with the Stock Exchange and the Securities and Futures Commission. The Takeovers Code also does not have the force of law in Hong Kong and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share purchases in Hong Kong.

RISK FACTORS

In addition, since we are incorporated in accordance with the laws of the Cayman Islands, our corporate affairs are also governed by the laws of the Cayman Islands, it may not be possible for you to bring an action against us or against our Directors or officers based on Hong Kong laws, Germany laws or PRC laws in the event that you believe that your rights as a Shareholder have been infringed.

Government control of currency conversion and fluctuation in the exchange rates of the Renminbi may adversely affect our business and results of operations and our ability to remit dividends.

A substantial amount of our revenue and operating costs are denominated in Renminbi. The Chinese government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing Chinese foreign exchange regulations, so long as the payments of basic account items complies with certain procedural requirements, these payments of current account items can be made in foreign currencies without prior approval from SAFE. And, qualified banks may directly handle the foreign exchange registration of foreign currency conversions for payment under capital account items such as equity investments.

The Chinese government may also at its discretion restrict our access in the future to foreign currencies for current account transactions. Under our current corporate structure, our revenue is primarily derived from dividend payments from our Chinese subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our Chinese subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations.

We may not be able to pay dividends in foreign currencies to our Shareholders, if the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands.

Any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies, because a significant amount of our future cash flows from operations will be denominated in Renminbi.

We may be subject to changes in tax incentives.

During the Track Record Period, our major PRC subsidiary, Miji Shanghai was recognised as a new and high technology enterprise (高新技術企業) and was therefore entitled to the reduced EIT rate of 15%. Accordingly, the tax incentives recognised by our Group during the Track Record Period amounted to approximately RMB2.0 million, RMB2.9 million and RMB3.6 million, respectively. We cannot assure you that we will continue to qualify for such preferential tax treatment in the future. If we fail to maintain their preferential tax treatment when the relevant term expires, the applicable income tax rates would increase to 25%, which could have

RISK FACTORS

a material adverse effect on our financial position and results of operations. Moreover, the PRC government could eliminate any of these preferential tax treatments before their scheduled expiration.

Expiration and elimination of, or other adverse changes to, any of the tax incentives currently enjoyed by us could adversely affect our financial position and results of operations. In addition, the PRC government from time to time adjusts or changes its policies on value-added tax, business tax and other taxes. Such adjustments or changes, together with any uncertainty resulting therefrom, could have an adverse effect on our business, financial position and results of operations.

We may not be able to continue to receive government grants from local governments.

As a support for our continuous effort to improve our production techniques and upgrade our production facilities, we obtained government grants of approximately RMB0.7 million, RMB3.2 million and RMB1.4 million during the Track Record Period, respectively. The amount of these government grants was determined by the local governments at their discretion. We cannot assure you that we will be able to continue to receive any such government grants from the local governments at the level as we used to receive, or at all. Any decision of the local governments to terminate or reduce the amount of our government grants may adversely affect our results of operations and financial conditions.

We may be subject to additional social insurance fund and housing provident fund contributions and late payments and fines imposed by relevant governmental authorities.

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on the Housing Provident Fund of the PRC (中華人民共和國住房公積金社會保險法), we are required to make social insurance fund contributions and housing provident fund contributions for our employees. Due to administrative oversight, our PRC subsidiaries (namely, Miji Shanghai, Mikaiyi, and Miji Yongxing) did not make adequate contributions to the social insurance fund and housing provident fund for our employees during the Track Record Period. During the Track Record Period, we have made provision in the sum of approximately RMB2.9 million, RMB3.4 million and RMB2.2 million for the underpaid social insurance fund contribution and housing provident fund contributions, respectively. However, the relevant authorities may impose fines on us for not paying the social insurance amount according to applicable PRC laws and regulation. For further details, please refer to the paragraph headed “Business – Non-compliance” in this prospectus.

We may be subject to intellectual property rights claims from third-party.

We may be subject to disputes, claims or litigations involving our intellectual property rights or third-party intellectual property rights and we may be accused of infringing the intellectual property rights of others. Any of these developments could disrupt our business, divert our resources and management’s attention from our operations and materially and adversely affect our financial condition and results of operations and prospects.

RISK FACTORS

SHARES AND SHARE OFFER SPECIFIC RISKS

The Underwriting Agreements may be terminated due to various reasons.

Prospective investors of the Share Offer should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by the Joint Bookrunners (for itself and on behalf of the Underwriters) giving notice in writing to our Company upon the occurrence of any of the events stated in the paragraph headed “Underwriting – Grounds for termination” in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs.

There is no assurance that we will pay dividends in the future.

It is under the discretion of our Board, in considering, among other things, our Group’s earnings, financial condition and cash requirements and the provision governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors, to declare and pay any amount of any future dividends. Please refer to the paragraph headed “Financial information – Dividends” in this prospectus for further details. We cannot assure investors when or whether we will pay dividends in the future.

Our interests may conflict with those of our Controlling Shareholders, who may take actions that are not in, or may conflict with, our or our public shareholders’ best interests.

Immediately after completion of the Capitalisation Issue and the Share Offer, assuming that the Over-allotment Option is not exercised, our Controlling Shareholders will control approximately 60% of our issued share capital. The interests of our non-controlling Shareholders may differ from the interests of our Controlling Shareholders. As such the non-controlling Shareholders could be disadvantaged if the interests of our Controlling Shareholders conflict with the interest of our non-controlling Shareholders or if our Controlling Shareholders cause our business to pursue a strategic option that is in conflict with the interests of the non-controlling Shareholders.

The determination of the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, privatisations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions could be significantly influenced by the Controlling Shareholders.

Our Controlling Shareholders have no obligation to consider the interests of our Company or the interests of our other shareholders. As such, our Controlling Shareholders’ interests may not necessarily be in line with the best interests of our Company which may have a material and adverse effect on our Company’s business operations and the price at which our Shares are traded on the Stock Exchange.

RISK FACTORS

You will experience immediate and substantial dilution in the book value of your investment as a result of the Share Offer.

The Offer Price of our Shares is higher than our net tangible book value per Share immediately prior to the Share Offer. Therefore, purchasers of our Shares will experience an immediate dilution in pro forma net tangible book value per Share. Our existing Shareholders will, however, receive an increase in pro forma net tangible book value per Share with respect to their Shares. In addition, if the Underwriters' representative exercises the Over-allotment Option, holder of our Shares may experience further dilution.

Shareholders' equity interests may be diluted as a result of additional equity fund-raising activities.

In the future, we may need to raise additional funds to finance acquisitions, expansion or new developments of our business. The percentage ownership of the Shareholders in our Company may be reduced, if funds are raised through the issue of new equity and equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders. As a result, our Shareholders may experience dilution in their percentage shareholdings in our Company. Furthermore, it is also possible that such new securities may have preferred rights, options or pre-emptive rights that render them more valuable than or senior to the Shares.

There has been no prior market for the Shares and an active trading market may not develop after Listing.

Prior to the Share Offer, there has been no public market for our Shares. The initial issue price range of our Shares, the Offer Price, will be the result of negotiations between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Share Offer. Subsequent to the Listing on the Stock Exchange, there is no guarantee that there will be active trading for our Shares, or if it does develop, will be sustained following the Share Offer, or that the market price of the Shares will not decline following the Share Offer.

The price and trading volume of our Shares may be volatile which could result in substantial losses for investors purchasing our Shares in the Share Offer.

There may be volatility in the price and trading volume of our Shares. There may be significant and rapid market price fluctuation for our Shares as a result of the following factors, among others, some of which are beyond our control:

- trading volume of the Shares;
- market volatility;
- our financial results;

RISK FACTORS

- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenue and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- variations of our results of operations (including variations arising from foreign exchange rate fluctuations);
- loss of significant customers or material defaults by our customers;
- announcement by us of significant acquisitions, strategic alliances or joint ventures;
- addition or departure of key personnel;
- involvement in litigation; and
- general economic and stock market conditions.

In addition, shares of some companies with significant operations and assets in the PRC listed on the Stock Exchange have experienced unusual fluctuation in price and trading volume in recent years, some of which have been unrelated or disproportionate to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of our Shares. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of Shares regardless of our operating performance or prospects.

Our Company is a holding company and our ability to pay dividends is primarily dependent upon the earnings of, and distributions by, our subsidiaries in the PRC.

Our Company is a holding company incorporated under the laws of the Cayman Islands with limited liability. No dividends have been paid or declared by our Company. The majority of our business operations are conducted through our subsidiaries in the PRC and hence, our turnover and profit are substantially contributed by our subsidiaries in the PRC.

Our ability to pay dividends to our Shareholders is primarily dependent upon the earnings of our subsidiaries in the PRC and their distribution of funds to us, primarily in the form of dividends. The ability of our subsidiaries in the PRC to make distributions to us depends upon,

RISK FACTORS

amongst others, their distributable earnings. Under the PRC law, payment of dividends is only permitted out of accumulated profits according to the PRC accounting standards and regulations, and our subsidiaries in the PRC are also required to set aside part of its after-tax profits to fund certain reserve funds that are not distributable as cash dividends. Other factors such as cash flow conditions, restrictions on distributions contained in our PRC subsidiaries' articles of associations, restrictions contained in any bank credit facilities, debt instruments or other agreements, withholding tax and other arrangements will also affect the ability of our subsidiaries in the PRC to make distributions to us. These restrictions could reduce the amount of distributions that we receive from our subsidiaries in the PRC, which in turn would restrict our ability to pay dividends on the Shares. The amounts of distributions that any of the subsidiaries of our Group has declared and made in the past are not indicative of the dividends that we may pay in the future. There is no assurance that we will be able to declare or distribute any dividend in the future.

Laws of Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or other jurisdictions.

Our corporate affairs are governed by the Memorandum, the Articles, and by the Companies Law and common law of Cayman Islands. Specifically, the laws of Cayman Islands relating to the minority shareholders' rights protection may differ in some respects from the judicial precedents and statutes that is in existence in Hong Kong. The remedies available to our Group's minority shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. Please refer to the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this prospectus for further information.

Certain statistics, figures, and/or facts contained in this prospectus may not be accurate.

Certain statistics, figures, and/or facts relating to the macroscopic economies, industries and/or markets are from or derived from various official government publications, public resources and/or proprietary materials which may be false, incomplete, or misleading in certain material aspect and are not prepared or independently verified by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisers, directors, officers or representatives or any other person involved in the Share Offer. We therefore cannot guarantee or make any representation with any degree of certainty as to the accuracy of such statistics, figures, and/or facts which may after all originates from flawed or ineffective research or collection method. Investors, without the capacity, competence, or resources required, may be misled by such statistics, figures, and/or facts.

RISK FACTORS

Investors should not rely on any information contained in the press articles or other media regarding us and the Share Offer.

Prior to the publication of this prospectus, there might have been press articles and media coverage regarding us and the Share Offer which might include certain financial information, financial projections, and other information about us which do not appear in this prospectus. We do not accept any responsibility for, and we cannot guarantee and make no representation as to, the appropriateness, accuracy, completeness or reliability of such information. Potential investors are therefore cautioned to make their investment decisions based solely on the information contained in this prospectus.

Future sale of the Shares or major divestment of Shares by any of our major Shareholders could adversely affect the market prices of the Shares.

The sale of a significant number of the Shares in the public market after the Share Offer or the perception that these sales may occur, could adversely affect the market price of the Shares. There is no restriction imposed on Controlling Shareholders and corporate investors to dispose of their shareholdings in our Company, except as provided under the Listing Rules or otherwise described in the sections headed “History, Development and Group Structure” and “Underwriting” in this prospectus. Any major disposal of Shares by any of our major Shareholders may cause the market price of our Shares to fall. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price our Directors deem appropriate, thereby limiting our ability to raise capital.

There is a possibility that forward-looking statements contained in this prospectus may not materialise.

Included in this prospectus are various forward-looking statements which can be identified by the use of forward-looking terminology such as “aims”, “believes”, “expects”, “will”, “should”, “could”, “seeks”, “anticipates”, “plans” or “intends” or by the negative of any of these terms or comparable terminology, or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our Group’s actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on assumptions regarding our Group’s present and expected future business strategies and the environment in which our Group will operate in the future. Important factors that could cause our Group’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the loss of our Group’s key personnel and changes relating to the PRC and global economic and business conditions.

RISK FACTORS

There will be a time gap of several business days between pricing and trading of our Shares offered under the Share Offer. The market price of the Shares after trading begins could be lower than the Offer Price.

The Offer Price of our Shares will be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. Investors are unlikely to be able to sell or otherwise deal in our Shares before they commence trading. Accordingly, after trading begins, there is a risk of the trading price being lower than the Offer Price as a result of adverse market conditions or other adverse development that may occur between the Price Determination Date and the time trading begins, of which the holders of our Shares are subject to.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Share Offer, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong.

Since substantially all of our Company's business operations and management are located in the PRC and Germany, there is no business need to appoint executive Directors based in Hong Kong. As none of our executive Directors or senior management currently resides in Hong Kong, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

- (a) we have appointed two authorised representatives pursuant to Rules 2.11 and 3.05 of the Listing Rules. The two authorised representatives are Madam Maeck, our executive Director and Ms. Ho Wing Yan, our company secretary. The authorised representatives will act as the principal channel of communication between the Stock Exchange and our Company. The authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;
- (b) each of the authorised representatives has means to contact all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. We will implement a policy whereby:
 - (i) each Director will provide his or her mobile phone number, office phone number, residential phone number, email address and facsimile number to the authorised representatives;
 - (ii) each Director will provide his or her phone numbers or means of communication to the authorised representatives when he or she is travelling; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (iii) each Director will provide his or her mobile phone number, office phone number, residential phone number, email address and facsimile number to the Stock Exchange;
- (c) in compliance with Rule 3A.19 of the Listing Rules, we have appointed Dakin Capital Limited to act as our compliance advisor who will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing on the Listing Date and ending on the date that our Company publishes our financial results for the first full financial year after the Listing Date pursuant to Rule 13.46 of the Listing Rules;
- (d) any meetings between the Stock Exchange and our Directors may be arranged through the authorised representatives within a reasonable time frame;
- (e) our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorised representatives;
- (f) all Directors have confirmed that they possess valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and, when required, meet with the Stock Exchange upon reasonable notice; and
- (g) we will retain a Hong Kong legal advisor to advise us on the application of the Listing Rules and other applicable Hong Kong laws and regulations after our Listing.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

CSRC APPROVAL AND OTHER RELEVANT PRC AUTHORITIES APPROVAL

The Listing does not require the approval of the CSRC or any other PRC government authorities under the current PRC laws, regulations and rules.

UNDERWRITING AND INFORMATION ON THE SHARE OFFER

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applications under the Public Offer, this prospectus and the Application Forms contain the terms and conditions of the Public Offer. The Share Offer comprises the Public Offer of initially 37,500,000 Offer Shares and the Placing of initially 337,500,000 Offer Shares (subject, in each case, to reallocation on the basis as set out in section headed "Structure and Conditions of the Share Offer") in this prospectus.

The listing of our Shares on the Stock Exchange is sponsored by the Sole Sponsor. Pursuant to the Public Offer Underwriting Agreement, the Public Offer is underwritten by the Public Offer Underwriters on a conditional basis, with one of the conditions being that the Offer Price is agreed between the Joint Bookrunners, on behalf of the Public Offer Underwriters, and us. The Public Offer is managed by the Joint Bookrunners and is expected to be underwritten by the Public Offer Underwriters. The Placing Underwriting Agreement is expected to be entered into on or about 6 July 2018, subject to agreement on the Offer Price between our Company and the Joint Bookrunners, on behalf of the Public Offer Underwriters. Further details of the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners, on behalf of the Underwriters on or before 6 July 2018, or such later date or time as may be agreed between the Joint Bookrunners (on behalf of the Public Offer Underwriters) and our Company, the Share Offer will not proceed. Further details of the Underwriters and the underwriting arrangements are set out in "Underwriting".

The Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

Details of the structure and conditions of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer”, and the procedures for applying for our Shares are set out in section headed “How to Apply for Public Offer Shares” of this prospectus and in the relevant Application Forms.

DETERMINATION OF THE OFFER PRICE

The Shares are being offered at the Offer Price which will be determined by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us on or around Friday, 6 July 2018, and in any event no later than Thursday, 12 July 2018.

If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Thursday, 12 July 2018, the Share Offer will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF SHARES

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

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, our Shares, including any Shares which may be issued by us pursuant to the Share Offer and upon the exercise of the Over-allotment Option and the options to be granted under the Share Option Scheme.

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

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on 16 July 2018. The Shares will be traded in board lots of 10,000 Shares each. The stock code of the Shares will be 1715.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. It is emphasised that none of us, the Sole Sponsor, the Underwriters, any of our or their respective directors, officers, employees, agents, advisers or representatives or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Shares or exercising any rights attached to them.

OVER-ALLOTMENT

Details of the arrangement relating to the Over-allotment Option are set out in section headed "Structure and Conditions of the Share Offer" in this prospectus.

REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our principal share registrar, Estera Trust (Cayman) Limited, in the Cayman Islands. All the Shares issued pursuant to applications made in the Public Offer and the Placing will be registered on the branch register of

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

members of our Company maintained by our branch share registrar in Hong Kong, the Hong Kong Share Registrar. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

Dealings in our Shares registered on our Hong Kong register will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, (i) the translations between Renminbi and HK dollars were made at the rate of RMB0.88 to HK\$1.00, and (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.80 to US\$1.00. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

ROUNDING

Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Share Offer assume that the Over-allotment Option is not exercised.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Maeck Can Yue	Marsopstr. 19, 81245 München Germany	German
Walter Ludwig Michel	Marsopstr. 19, 81245 München Germany	German
<i>Independent non-executive Directors</i>		
Wang Shih-fang (王世方)	17/F No. 2, Bao Ching Street Shin Dian District New Taipei City Taiwan	Chinese
Yan Chi Ming (甄子明)	Flat 3C, Block 3 Chianti Discovery Bay Hong Kong	Chinese
Hooi Hing Lee (許興利)	Flat B, 19/F Cimbria Court 24 Conduit Road Mid Level Hong Kong	Malaysian

For further information, see section headed “Directors, Senior Management and Employees” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Dakin Capital Limited

Room 2701, 27/F, Tower 1

Admiralty Centre

18 Harcourt Road

Admiralty

Hong Kong

*(A licensed corporation to carry out type 6
(advising on corporate finance) regulated
activity under the SFO)*

Joint Bookrunners and Joint Lead Managers

Dakin Securities Limited

Room 2701, 27/F, Tower 1

Admiralty Centre

18 Harcourt Road

Admiralty

Hong Kong

*(A licensed corporation to carry out type 1
(dealing in securities) and type 2 (dealing in
futures contracts) regulated activities under the
SFO)*

Koala Securities Limited

Units 01–02, 13/F Everbright Centre,

108 Gloucester Road

Wanchai

Hong Kong

*(A licensed corporation to carry out type 1
(dealing in securities) and type 4 (advising on
Securities) regulated activities under the SFO)*

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Underwriter(s)

Dakin Securities Limited

Room 2701, 27/F, Tower 1

Admiralty Centre

18 Harcourt Road

Admiralty

Hong Kong

*(A licensed corporation to carry out type 1
(dealing in securities) and type 2 (dealing in
futures contracts) regulated activities under the
SFO)*

Koala Securities Limited

Units 01–02, 13/F Everbright Centre,

108 Gloucester Road

Wanchai

Hong Kong

*(A licensed corporation to carry out type 1
(dealing in securities) and type 4 (advising on
Securities) regulated activities under the SFO)*

Auditor and Reporting Accountant

PricewaterhouseCoopers

22/F, Prince's Building

Central

Hong Kong

(Certified Public Accountants)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal Advisors to our Company

As to Hong Kong law

LC Lawyers

(formerly known as Lin and Associates)

1501-2, CITIC Tower

1 Tim Mei Avenue

Central

Hong Kong

(Solicitors of Hong Kong)

As to PRC law

Shu Jin Law Firm

12/F, TaiPing Finance Tower

Yitian Road 6001

Futian District

Shenzhen

The PRC

(Registered law firm in the PRC)

As to Germany law

Helduser Richtberg & Kollegen

Ostanlage 16

35390 Giessen

Germany

(Registered law firm in Germany)

As to Cayman Islands law

Appleby

2206-19 Jardine House

1 Connaught Place

Central, Hong Kong

(Cayman Islands attorneys-at-law)

Legal Advisors to the Sole Sponsor and Underwriters

As to Hong Kong law

Benny Pang & Co

27/F, 100QRC

100 Queen's Road Central

Central

Hong Kong

(Solicitors of Hong Kong)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

As to the PRC law

V&T Law Firm

3/F, Tower A, HUAYE International Center
No. 39, Fourth East Ring Middle Road
Beijing
China

(Registered law firm in the PRC)

Industry Consultant

China Insights Consultancy Limited

10/F, Tomorrow Square
399 West Nanjing Road
Huangpu District
Shanghai
China

Compliance Advisor

Dakin Capital Limited

Room 2701
Admiralty Centre, Tower 1
18 Harcourt Road
Admiralty
Hong Kong
*(A licensed corporation to carry out type 6
(advising on corporate finance) regulated
activity under the SFO)*

Receiving Bank

**Industrial and Commercial
Bank of China (Asia) Limited**

33/F, ICBC Tower
3 Garden Road
Central
Hong Kong

CORPORATE INFORMATION

Registered office in Cayman Islands	PO Box 1350, Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Head office in the PRC	West Building No. 2 3585 Sanlu Road Pujiang Industrial Zone Caohejing Hi-tech Park Shanghai China
Principal place of business in Hong Kong	Unit 3306-12 33/F Shui On Centre No. 6-8 Harbour Road Wan Chai Hong Kong
Company's website	www.mijiholdings.com <i>(The information on the website does not form part of this prospectus)</i>
Company Secretary	Ms. Ho Wing Yan (何詠欣女士)(ACIS, ACS(PE)) Room 2609 Seung Lai House Lai Chi Kok Kowloon Hong Kong
Authorised representatives	Madam Maeck Can Yue Marsopstr. 19 81245 München Germany Ms. Ho Wing Yan (何詠欣女士) (ACIS, ACS(PE)) Room 2609 Seung Lai House Lai Chi Kok Kowloon Hong Kong
Audit Committee	Mr. Hooi Hing Lee (許興利先生) (<i>Chairperson</i>) Mr. Wang Shih-fang (王世方先生) Mr. Yan Chi Ming (甄子明先生)
Nomination Committee	Madam Maeck Can Yue (<i>Chairperson</i>) Mr. Wang Shih-fang (王世方先生) Mr. Hooi Hing Lee (許興利先生)

CORPORATE INFORMATION

Remuneration Committee

Mr. Yan Chi Ming (甄子明先生) (*Chairperson*)
Mr. Wang Shih-fang (王世方先生)
Mr. Hooi Hing Lee (許興利先生)

**The Cayman Islands Principal Share
Registrar and Transfer Office**

Estera Trust (Cayman) Limited
PO BOX 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

**Hong Kong branch share registrar
and transfer office**

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Banks

Bank of China
Shanghai Caohejing
Export Process Zone Sub-branch
No. 2518, Chen Xing Gong Road
Minhang District
Shanghai City
The PRC

Shanghai Rural Commercial Bank
Minhang Sub-branch
No. 670, Qi Xin Road
Minhang District
Shanghai City
The PRC

China Construction Bank Corporation
Jinqiao Sub-branch
No. 196, Xin Jin Qiao Road
Pudong New District
Shanghai City
The PRC

DBS Bank (Hong Kong) Limited
16th Floor, The Centre
99 Queen's Road Central
Central
Hong Kong

INDUSTRY OVERVIEW

The information presented in this section has been derived from the CIC Report, which is based on information from the database of CIC, publicly available sources, industry reports, data obtained from interviews and other sources. We believe that the sources of such information are appropriate 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. The information has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, representatives, employees, agents or professional advisers or any other person or party (except CIC) involved in the Share Offer and no representation is given as to the completeness, accuracy or fairness of such information. Accordingly, such information should not be unduly relied upon.

SOURCE OF INFORMATION

We commissioned CIC, an independent market research consulting firm, to conduct a detailed analysis of and prepare a report on the PRC's kitchen appliance market, especially for radiant stoves, cookware and electric ovens markets for the period from 2013 to 2022. We agreed to pay CIC a total fee of RMB770,000, which we believe reflects the market rate for similar services. CIC is an investment consulting company established in Hong Kong. Its services include industry consulting, commercial due diligence and strategy consulting. Its consultant team has been tracking the latest market trends in industrial, energy, chemical, healthcare, consumer goods, transportation, agriculture, internet and finance industries and has extensive experience in, and insightful market knowledge of, the abovementioned industries.

CIC undertook both primary and secondary research through various resources. Primary research involved interviewing key industry experts and leading industry participants in the PRC's kitchen appliance market. Secondary research involved analysing data from various publicly available data sources, including the PRC government releases, company reports, independent research reports and CIC's internal database.

ASSUMPTIONS

In compiling and preparing the report, CIC has adopted the following assumptions: (i) the PRC economic and industrial development is expected to maintain a steady growth in the next decade; (ii) related key industry drivers are likely to drive the growth of the PRC's premium radiant stove market during the forecasted period from 2018 to 2022 (the "**Forecast Period**"). These drivers include the increasing number of new mainstream consumer group, increasing adoption of western-style kitchen appliances, the expansion of online platforms as well as outlets, and the growing demand for well-decorated residential units; and (iii) there are no extreme force majeure events or introduction of industry regulations that will affect the market dramatically or fundamentally.

The CIC Report mainly focuses on the PRC market, being the main jurisdiction in which our business is located. Our Directors confirm that after taking reasonable care, there has been no material adverse change in the market information included herein, subsequent to the published dates for the relevant data contained in the CIC Report, which may qualify, contradict or have an impact on the information presented in this section.

Except as otherwise indicated, all of the data and forecasts contained in this section are derived from the CIC Report.

INDUSTRY OVERVIEW

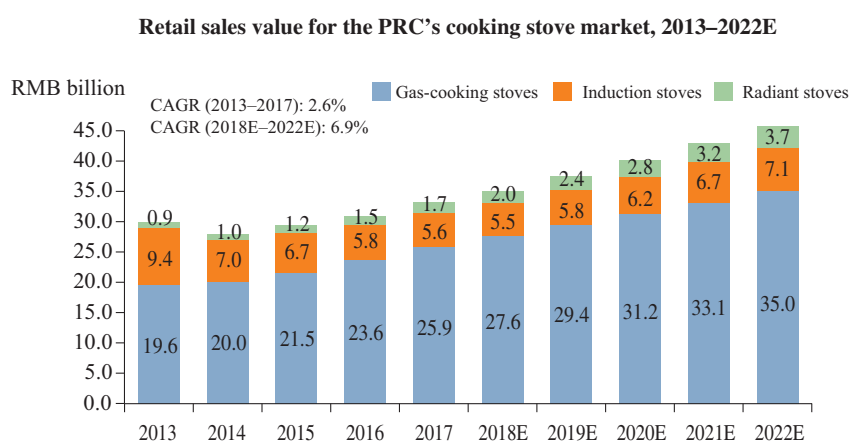
OVERVIEW OF THE PRC'S KITCHEN APPLIANCE MARKET

Kitchen appliances refer to home appliances mainly used in kitchens for cooking and food processing. Kitchen appliances can be further categorised into either large or small kitchen appliances based on their size, dimensions, and portability.

- *Large kitchen appliances.* This category refers to larger appliances or devices that are not readily portable. Typical large kitchen appliances include multiple-burner stoves, kitchen hoods, built-in ovens, dish washers, etc.
- *Small kitchen appliances.* This category includes small portable or semi-portable appliances or devices that are generally positioned on table-tops, counter-tops, or other platforms in kitchens. Typical small kitchen appliances include cooking stoves, cookware, electric ovens, rice cookers, coffee machines, electric kettles, etc.

THE PRC'S RADIANT STOVE MARKET

Retail sales value of the PRC's cooking stove market



Source: CIC

Gas-cooking stoves

Gas-cooking stoves have always been the major type of cooking stove widely used by the households and commercial sectors in the PRC. The wide use of gas-cooking stoves was much earlier than that of electric stoves in the PRC and the gas-cooking stove market is more mature with various types of products targeting diversified consumer groups. The gas-cooking stoves are normally perceived to be more suitable for traditional Chinese cooking habits due to the higher power. Besides, traditional Chinese consumers consider gas-cooking stoves as more durable and cost-effective, which contribute to their popularity and wide acceptance as well. The retail sales value of gas-cooking stoves has increased from RMB19.6 billion in 2013 to RMB25.9 billion in 2017, and it is expected to reach RMB35.0 billion by 2022. The growth of gas-cooking stove market is primarily generated by built-in stoves. The increasing trend of built-in gas-cooking stoves among families in the PRC is resulted from the consumption upgrade, the popularity of integrated kitchen and western-style kitchen appliances in the PRC.

Induction stoves

The size of the PRC's market for induction stoves, in terms of retail sales value, declined from approximately RMB9.4 billion in 2013 to RMB5.6 billion in 2017, with a negative CAGR of 12.0% during this period. Induction stoves have entered into a mature stage of development in the PRC after their sales peaked around the late 2000s and early 2010s.

INDUSTRY OVERVIEW

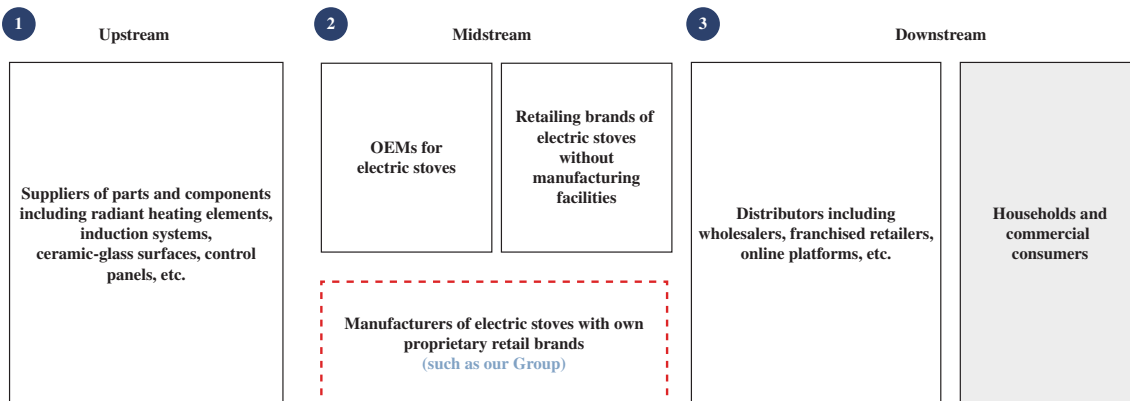
Radiant stoves

Our Group derived over 70% of our revenue from the sales of radiant stoves during the Track Record Period. Gas-cooking stoves, induction stoves and radiant stoves entered the PRC market in early 1980s, late 1990s and early 2000s, respectively. According to CIC, gas-cooking stove and induction stove have already become mature products of the PRC cooking stove market, whereas radiant stove is still relatively new to the PRC consumers. Radiant stoves have a larger growth potential than gas-cooking stoves and induction stoves. The size of the PRC's radiant stove market, in terms of retail sales value, grew from approximately RMB0.9 billion in 2013 to RMB1.7 billion in 2017, representing a CAGR of 16.5%.

Radiant stoves are gaining stronger popularity among urban households in the PRC. The market size of radiant stoves is estimated to reach RMB3.7 billion by 2022, representing a CAGR of 16.6% between 2018 and 2022, as they have the following key advantages over gas-cooking stoves and induction stoves:

- *Adaptability for various cookware.* Radiant stoves avoid having to discriminate between cookware in terms of their materials. Many Chinese households have a long-standing tradition in using non-ferrous cookware for stewing and boiling at a constant heating power, so induction stoves cannot fully meet these customers' needs.
- *Precise temperature control.* Radiant stoves function better as they can accurately control heating temperatures. They are fairly attractive to Chinese consumers, which adopt westernised cooking methods that require precise temperature control.
- *More suitable for healthy cooking.* Radiant stoves are considered to be an ideal choice for a growing segment of the Chinese population which pursues healthy lifestyle. With health-conscious cooking practices, some consumers to supplement or wholly replace their choice of stoves. Radiant stoves can reduce risks associated with overheating and the production of excess fumes or smoke, which are considered to be health hazards.
- *Higher energy efficiency.* Radiant stoves are more efficient in consuming energy, compared with gas-cooking stoves and induction stoves. All the cooking steps and temperature are electronically controlled by radiant stoves.

Value chain for the radiant stove market in the PRC



Source: CIC

INDUSTRY OVERVIEW

Midstream market players distribute their radiant stoves to end consumers through (i) distributors; (ii) consignment; (iii) franchise; (iv) television platform; (v) online platform; and (vi) retail stores.

While physical store is a traditional way for the midstream market players to promote their products, television platform and online platform are also important sales channels for the midstream market players to promote their corporate brands and market their products. Television platform mainly targets housewives and elderly age groups. As compared with the younger generations, these consumers are more inclined to purchase from television platforms because they (i) spend more time on watching television programs; (ii) may not be familiar with using mobile devices to purchase online; and (iii) consider that the television programs can give them a direct visual introduction of the performance and advantage features of a product. The total merchandise sales on television shopping programs in China grew from RMB31.7 billion in 2013 to RMB33.3 billion in 2017, representing a CAGR of 1.2%, and it is expected to reach RMB35.2 billion in 2022, according to CIC. Between 2015 and 2017, the percentage of kitchen appliance sales to total sales on TV shopping channels grew from 6.0% to 15.4%, while the sales value of kitchen appliance on TV shopping channels increased from RMB2.4 billion in 2015 to RMB5.1 billion in 2017, indicating strong demands for kitchen appliance on TV shopping channels in China.

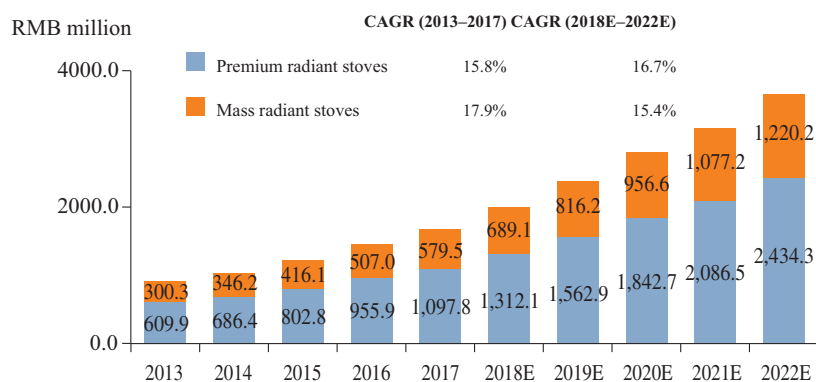
Driven by the rapid development of e-commerce in the PRC and the convenience of online shopping, the population of online consumers in the PRC increased from 310.0 million in 2013 to 533.0 million in 2017. It is expected that the population of online shoppers in the PRC will reach 728.5 million in 2022, representing a CAGR of 6.4% from 2018.

Retail sales value for the PRC's radiant stove market by brand segment

Premium radiant stoves refer to stoves with a retail price of not less than RMB800 per unit for single-burner models and not less than RMB2,000 per unit for multi-burner models. Radiant stoves priced below the aforementioned benchmarked prices are normally classified as mass market products. Besides, premium radiant stoves are normally manufactured with top-quality components and patented technologies by multi-national companies, which target middle to upper class families as their major customers. On the other hand, mass market products are generally manufactured with less durable materials by domestic companies, which target customers with lower purchasing power.

From 2013 to 2017, the retail sales value of premium radiant stoves accounted for approximately two-thirds of the total retail sales value of radiant stoves. It is expected that premium radiant stoves will maintain a similar share of the market size of radiant stoves during the Forecast Period. Driven by the key factors mentioned below, the retail sales value of premium radiant stoves is expected to increase from RMB1,312.1 million in 2018 to RMB2,434.3 million in 2022, representing a CAGR of 16.7%.

Retail sales value for the PRC's radiant stove market by segment, 2013–2022E



Source: CIC

INDUSTRY OVERVIEW

Key drivers of future growth

We believe that the following factors will drive sustainable growth of the PRC's premium radiant stove market:

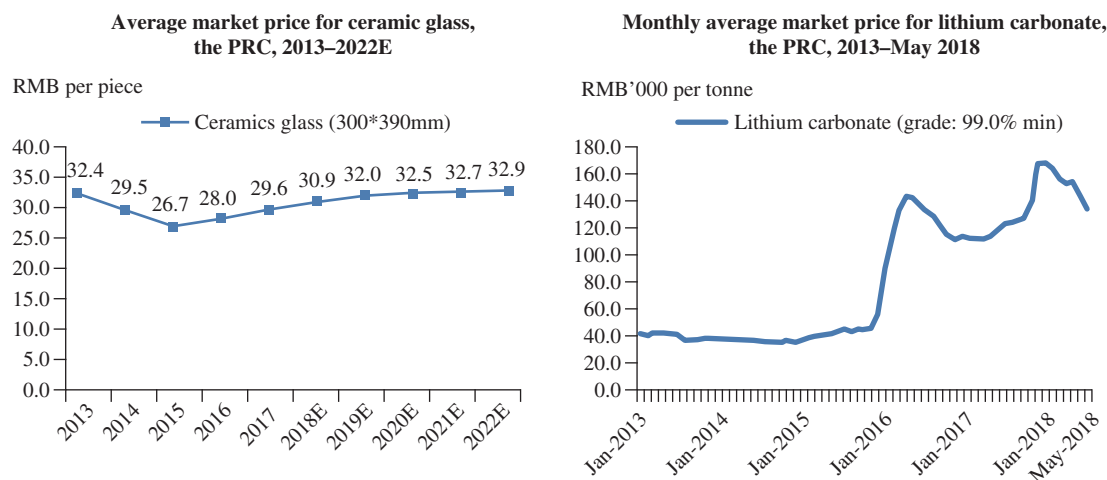
- *An expanding base of middle-class consumers.* In the PRC, the middle-class generally refers to households with annual income between RMB90,000 and RMB350,000. The number of middle-class urban households accounted for approximately 72.0% of the total number of urban households in 2017, and such proportion is expected to reach over 75.0% by 2022. This consumer group is able and willing to pay a premium for higher quality products and consume a greater number of discretionary goods, because these consumers generally believe that higher prices correspond to better quality.
- *Increasing adoption of western-style kitchen appliances and stronger health-awareness.* More and more Chinese households choose to adopt integrated kitchens consisting mostly of western-style kitchen appliances. With health-conscious attitudes gaining greater traction, Chinese households have responded by increasingly adopting western-style kitchen appliances in order to reduce unpleasant effects (such as cooking smoke) and curb harmful cooking practices associated with traditional Chinese cooking utensils and methods. Penetration rates of western-style kitchen appliances in PRC urban households, such as microwave ovens and cooker hoods have been steadily increasing. According to National Bureau of Statistics of China, the average number of microwave ovens and cooker hoods owned by every hundred PRC urban households grew from 34.6 and 42.5 in 2013 to 39.8 and 54.1 in 2017, respectively. Followed by this trend, the market for radiant stoves has experienced a continued stable expansion.
- *Expanding online and offline sales channels.* The PRC's online platforms have been developing quickly in line with an increasing penetration rate for online shopping among Chinese consumers. The PRC consumers prefer to purchase products through online platforms as these platforms make the overall shopping experience more convenient and they are able to view online product comparisons and reviews as important sources of information to support their purchase decisions. Further, the number of high-end shopping malls in the PRC is expected to continually increase and the major home furniture and appliance specialty malls in the PRC have been making solid progress in expanding into tier 2, tier 3 and even lower-tier cities. This expansion is expected to provide radiant stove brands with opportunities to expand sales network. Accordingly, the PRC property developers will continue to develop commercial projects (such as retail stores and shopping malls) in light of the increasing property prices and stable economic growth. It is expected that the popularity and growth of online shopping together the continuous development will continue to support the sales of premium radiant stoves in the PRC.
- *Increasing demand for well-decorated residential units located in tier 1 and tier 2 cities.* In light of rising property market prices, demand for well-decorated residential units in tier 1 and 2 cities has been gradually increasing. Residential units with modern design and premium kitchen appliances are expected to enhance the overall customer satisfaction and the property developers may be able to charge a higher premium for their residential projects. Accordingly, the property developers would emphasize on the interior design of their residential projects and equip the units with premium kitchen appliances, such as electric cooking stoves.

INDUSTRY OVERVIEW

Price trend of key component for radiant stoves

Ceramic glass, made of lithium carbonate (碳酸鋰), is one of the most crucial components used in the manufacturing of radiant stove cooktop due to its heat resistance and hardness advantages.

The following charts present the average market prices for ceramic glass and lithium carbonate in the PRC:



Source: AsiaMetal.com, CIC

The average market price for ceramic glass in China experienced a declining trend between 2012 and 2015, due to the intensified price competition among the PRC ceramic glass manufacturers' continuous expansion in their production capacities. However, the positive and encouraging policies of electric automobiles in China have driven the demand for lithium battery products since 2015. Lithium carbonate, as a crucial raw material for producing lithium battery of electric vehicles as well as ceramic glass, has been witnessing a rising market price since 2015. As a result, the average market price of ceramic glass in China began to rebound in 2016 and reached approximately RMB28.0 per piece in 2016. It is expected that the increasing demand for lithium carbonate will further drive the market price of ceramic glass in China to RMB32.9 per piece by 2022, according to CIC.

Seasonal trend of sales for radiant stoves in the PRC

The sales for radiant stoves in the PRC follow the overall trend for consumer durables including home appliances, automobiles, and so on. The sales during the period from September to February are often higher than that during the period from March to August, as the Chinese households prefer to purchase home appliances during the period from September to February when they relocate their residence, hold weddings, and replace their old appliances during the important vacations (such as National Day holidays, Singles' Day online shopping festival, Christmas and Chinese New Year holidays).

COMPETITIVE LANDSCAPE AND COMPETITIVE ADVANTAGES

The PRC's premium radiant stoves retail market is relatively concentrated with approximately 40 market players, while competition for the mass radiant stove segment remains much more intense with approximately 60 mass brands competing by offering lower-priced products.

INDUSTRY OVERVIEW

According to CIC, the top five players accounted for 60.4% of total market share in the premium radiant stove market segment in 2017 in terms of their retail sales values. Our Group, namely the retail brand Miji, ranked first among all the premium retail brands for radiant stoves in the PRC as of 2017, having accounted for a market share of 36.0% that year. The following table illustrates the ranking, retail sales value, market share and other details of the top five retail brands for premium radiant stoves in the PRC:

Ranking	Retail brands	Retail sales value (Note) RMB millions	Market share %	Headquarter location	Major products sold in China
1	Our Group's Brand (Miji)	394.9	36.0%	The PRC	- Radiant stoves and induction stoves
2	Competitor 1	97.7	8.9%	Germany	- Cookware, flatware and kitchenware, including radiant stoves and induction stoves
3	Competitor 2	71.4	6.5%	Germany	- Both big and small electrical cooking appliances, small appliances include radiant stoves, induction stoves, gas stoves and electric ovens and accessories
4	Competitor 3	63.7	5.8%	Germany	- Cookware products with other supporting products, including radiant stoves and induction stoves
5	Competitor 4	35.1	3.2%	Spain	- Big and small electrical appliances, including stoves washing machines, refrigerators and ovens

Note: The retail sales value is calculated by multiplying retail sales volume and average retail sales price of a certain brand.

Source: CIC

Considering a broader market landscape, the premium radiant stove market is only a subset of the kitchen appliance market and the cooking stove market (one of the subsectors of the kitchen appliance market) in the PRC. The market size of kitchen appliance market and cooking stove market is significantly larger than that of the premium radiant stove market. In terms of retail sales value, our Group only accounted for a minimal market share in the kitchen appliance market and the cooking stoves market in the PRC in 2017, as illustrated in the following table:

Our Group's retail sales value of stoves (RMB million)	423.0
– Radiant stoves (RMB million)	394.9
– Induction stoves (RMB million)	28.1
Retail value of China's kitchen appliance market (RMB billion)	133.2
– Our Group's market share in China's kitchen appliance market	0.3%
Retail value of China's cooking stove market (RMB billion)	33.2
– Our Group's market share in China's cooking stove market	1.3%

Entry barriers for the radiant stove market

Major entry barriers for the PRC's radiant stove market are set out as follows:

- *Strict technical requirements and standards.* Radiant stoves must comply with relevant industry standards and the market players must obtain CCC to guarantee product safety, before their radiant stoves are approved for sale in the PRC retail market. To ensure compliance with the aforesaid technical requirements and standards, market players are required to hire experienced quality control staff and engage external

INDUSTRY OVERVIEW

testing agencies to inspect their products. New entrants may experience difficulties in hiring sufficient experienced quality control staff and incur significant testing fees and costs to rectify any product deficiencies before their products are qualified for sale in the market.

- *Consumers' preference for well-known retail brands.* Since radiant stoves are considered a relatively new category of cooking stove products available to Chinese consumers, it is crucial for radiant stove brands to educate consumers and teach them how to use these products properly. Leading brands have thus made an effort to establish unique brand images, which in turn create an entry barrier for potential new players.
- *Well-developed sales networks.* Leading market players have built up their sales networks across various sales channels, such as shopping malls, online e-commerce platforms, TV shopping platforms, etc. New entrants may have to spend considerable amount of time and money to develop their own sales network.

Our key success factors of radiant stove market in the PRC

Major key success factors for our business in the PRC's radiant stove market are set out as follows:

- *Advanced technology and technological innovation.* With a well-experienced research and development department based in the PRC, our Group is able to develop premium radiant stoves with better performance. Our Group was selected to be one of the authors of the Electric Cooker Standard and Safety Standard for Kitchen Appliances in China due to our advanced technology and premium quality of products. With sustainable and efficient technological innovation, our Group has the ability to provide new products to meet diversified and changing consumers' needs.
- *Established brand image with long history in the industry.* Our Group was one of the earliest brands to enter into the PRC's radiant stove market. With over 10 years of operation in the radiant stove market in the PRC, our Group has successfully established a brand image targeting the premium market.
- *Solid business relationship with suppliers.* Premium parts and components are required for producing high quality radiant stoves. Our Group has established solid and long-term relationships with the major suppliers of the parts and components, needed for our radiant stoves EGO and SCHOTT. This stable cooperative relationship guarantees the quality of the products.
- *A well-experienced management team leader.* Madam Maeck is very experienced in the radiant stove industry. She has a deep understanding of the consumption habits of the PRC consumers, their life styles, cooking habits and attitude towards radiant stoves. With such a well-experienced decision maker, our Group is highly competitive in the industry.
- *Strong sales network.* Our Group has established an extensive offline and online sales network in the PRC.

For further details of our Group's competitive strengths, please refer to the paragraph headed "Business – Competitive strengths" in this prospectus.

INDUSTRY OVERVIEW

Threats of radiant stove market in the PRC

Major threats for the PRC's radiant stove market are set out as follows:

- *Price competition brought by increasing number of mass brands.* Without quality products and advanced technology, low retail price is a key competitive advantage of the mass brands. Intensified price competition will probably harm the product perceptions about radiant stoves' quality among potential consumers.
- *Rising rental costs of retail outlets.* Rental costs of retail outlets are increasing, especially in top-tier cities in the PRC, such as Beijing, Shanghai. The increasing rental costs would reduce the profit margin of the market players if they are unable to transfer the cost increment to their customers.

OVERVIEW OF THE PRC'S COOKWARE AND ELECTRIC OVEN MARKETS

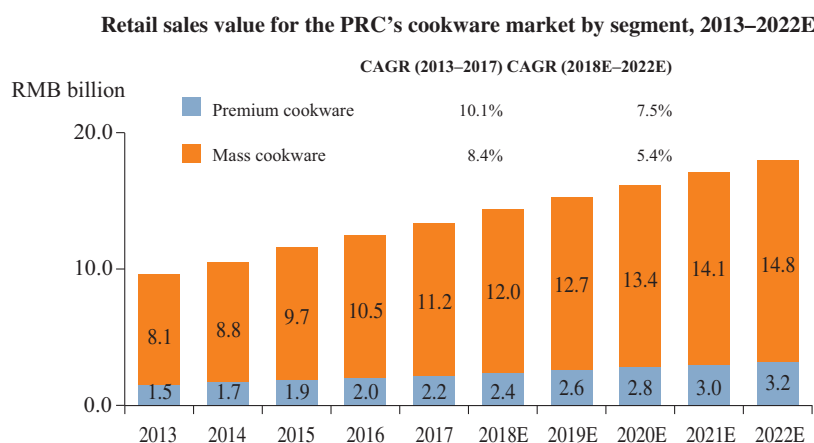
Apart from manufacturing and distributing electric cooking stoves throughout the PRC, Our Group is also involved in selling premium cookware and electric ovens as supplementary products marketed in the retail outlets. This section briefly outlines the market overview for the PRC's cookware and electric oven retail market.

The PRC's cookware market

Cookware is a type of cooking vessel used for preparing food or boiling water in the kitchen. These vessels are typically designed for use with a stove, range, or oven. Major categories of cookware products include woks (中式炒鍋), frying pans (平底煎鍋), pressure cookers (壓力鍋), stock pots (湯鍋), etc.

Within the PRC's cookware market, premium cookware refers to those products produced or imported by premium brands, with these brands normally representative of major international companies. According to CIC, if a top-selling Chinese-style wok for any given brand is priced no lower than RMB1,000.0, this brand is normally regarded as a premium brand. Thus, the premium market consists primarily of international cookware brands revolving around high-end products and price premiums.

The following chart illustrates the retail sales value of the PRC's cookware market by segment:



Source: CIC

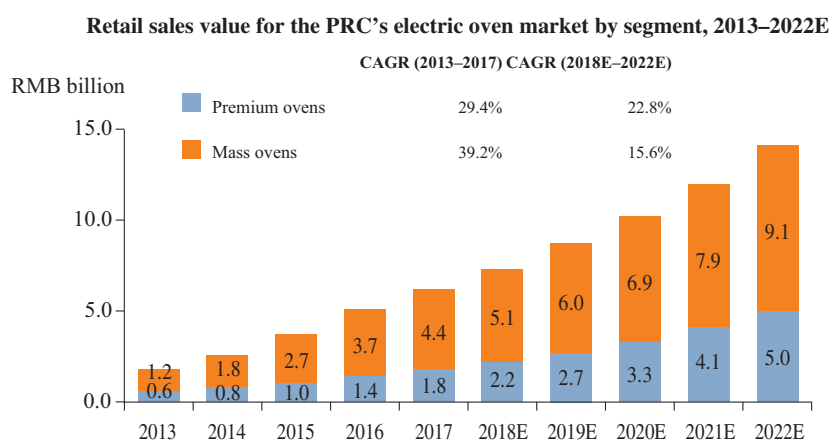
INDUSTRY OVERVIEW

According to CIC, the retail sales value of the PRC’s cookware market increased from RMB9.6 billion in 2013 to RMB13.4 billion in 2017, representing a CAGR of 8.7%. The retail sales value of the PRC’s cookware market is expected to reach approximately RMB18.0 billion by 2022, representing a CAGR of 5.7% between 2018 and 2022. The market segment for premium cookware products meanwhile grew at a relatively higher CAGR of 10.1%, having grown from RMB1.5 billion in 2013 to RMB2.2 billion in 2017. Moreover, this market segment is expected to reach approximately RMB3.2 billion by 2022, with households following a trend towards increasing their expenditures on cookware of a higher quality.

The PRC’s electric oven market

An electric oven is a thermally insulated chamber used for baking or heating food in the kitchen. There are both freestanding and built-in models of electric ovens for consumers to choose from.

According to CIC, premium electric ovens are normally priced at RMB1,000.0 and above per unit for freestanding models and priced at RMB4,500.0 and above per unit for built-in models. Most premium electric ovens in the PRC’s retail market include products representing international or imported brands.



Source: CIC

Electric oven was less popular among Chinese households in 2012. Notwithstanding that, the overall size of the PRC’s oven market in terms of retail sales value has undergone a period of rapid expansion in recent years, expanding from approximately RMB1.8 billion in 2013 to as much as RMB6.2 billion in 2017, and representing an impressive CAGR of 36.0%. This market is also expected to continue expanding to reach approximately RMB14.1 billion by 2022, which indicates a CAGR of 17.9% for the period between 2018 and 2022.

The premium segment in the PRC’s electric oven market meanwhile grew from approximately RMB0.6 billion in 2013 to reach RMB1.8 billion as of 2017, representing a strong CAGR of 29.4%. According to CIC, this market segment is expected to continue benefiting from an increase in demand for built-in ovens as generated by Chinese households, with the size of this market forecasted to continue expanding to reach approximately RMB5.0 billion by 2022.

REGULATORY OVERVIEW

INTRODUCTION

This section sets forth a summary of the most significant laws and regulations that affect our business in the PRC. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to us.

LAWS AND REGULATIONS ON ESTABLISHMENT

The major laws and regulations in the PRC concerning establishment of foreign investment corporate entities include: Company Law of the PRC (《中華人民共和國公司法》) (“**Company Law**”), Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) (“**Wholly Foreign-owned Enterprise Law**”) and Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》) (“**Guidance Catalog**”).

Company Law was promulgated by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) (“**Standing Committee**”) on 29 December 1993 and came into effect on 1 July 1994. It was subsequently revised on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. The Company Law generally governs limited liability companies and joint stock limited companies. According to this law, liability of a company to its debtors is limited to the value of assets owned by the company, and liability of shareholders is limited to the amount of registered capital they have contributed. The Company Law shall also apply to foreign-invested companies. Where laws and regulations on foreign investment have other stipulations, such stipulations shall apply.

Wholly Foreign-owned Enterprise Law was promulgated by the Standing Committee on 12 April 1986 and revised on 31 October 2000 and 3 September 2016. Implementation Regulations under the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法實施細則》) was promulgated on 12 December 1990 and amended on 12 April 2001 and 19 February 2014. The aforesaid regulations contain specific provisions about incorporation, organization structure, management, annual inspection, foreign exchange administration, labor issues and all other relevant issues of wholly foreign-owned enterprises. Pursuant to the Interim Measures for Administration of Establishment and Changes Registration of Foreign-funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), which was promulgated by the Ministry of Commerce (商務部) on 8 October 2016 and revised on 30 July 2017, the recordation procedures apply to the establishment and changes of foreign-funded enterprises which are not subject to the special administrative measures for permits stipulated by the State, the foreign-funded enterprises shall go through recordation procedures instead of examination and approval.

The current effective Guidance Catalog was issued by the Ministry of Commerce and the National Development and Reform Commission (國家發展和改革委員會) on 28 June 2017 and came into effect on 28 July 2017. Pursuant to Provisions Guiding Foreign Investment Direction (《指導外商投資方向規定》) promulgated by the State Council on 11 February 2002, the Guidance Catalogue is the basis of the application of invested enterprise. The Guidance Catalog contains specific provisions guiding market access to foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries,

REGULATORY OVERVIEW

restricted foreign-invested industries and prohibited foreign investment. Any industry not listed in the Guidance Catalog is a permitted industry. The business engaged by our Group does not fall into the “restricted” or “prohibited” categories.

LAWS AND REGULATIONS ON OPERATION

Foreign Exchange Control

Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) (“**Regulations on Foreign Exchange Control**”) was promulgated by the State Council (國務院) on 29 January 1996 and came into effect on 1 April 1996. It was subsequently revised on 14 January 1997 and 1 August 2008. According to this regulation, foreign currency payments under basic account items by domestic institutions, including payments for imports and exports of goods and services and payments of income and current transfers into and outside the PRC must be either paid with their own foreign currency with valid documentation or with the foreign currency purchased from any financial institution engaged in foreign currency sale and settlement, in accordance with the administrative provisions on payment and purchase of foreign currency promulgated by SAFE. Foreign currency income accounted for under basic account items may be retained or sold to financial institutions engaged in foreign currency sale and settlement in accordance with the relevant the PRC laws and regulations. Foreign currency payments under capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans, and must, in accordance with the SAFE regulations relating to foreign payments and purchases, be made out of a domestic institution’s own foreign currency with valid documentation or be made with foreign currency purchased from any financial institution engaged in foreign currency sale and settlement. For foreign-invested enterprises wound up in accordance with the law, funds denominated in RMB that belong to a foreign investor after liquidation and after payment of tax may be used to purchase foreign currency from any financial institution engaged in foreign exchange sale and settlement in order to remit the foreign currency out of the PRC.

The Regulations on the Administration of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理條例》), which were promulgated on 20 June 1996 and came into effect on 1 July 1996, provide that foreign exchange receipts under the current account of foreign-funded enterprises may be retained to the fullest extent specified by the foreign exchange bureau. Any portion in excess of such amount shall be sold to a designated foreign exchange bank or through a foreign exchange swap center.

According to the Circular of State Administration of Foreign Exchange on Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated on 13 February 2015 and effective as from 1 June 2015, the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment are cancelled. Investors shall register with banks to have the registration of foreign exchange under direct domestic investment and direct overseas investment.

REGULATORY OVERVIEW

On 30 March 2015, SAFE promulgated Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment 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》) to reform the management approach regarding the settlement of the foreign exchange capital of foreign-invested enterprises. The notice implemented a discretionary foreign exchange settlement where the foreign exchange capital in the capital account of foreign-invested enterprises for which the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) has been handled can be settled at the banks based on the actual operation needs of the enterprises.

On 9 June, 2016, the SAFE further promulgated the Circular of the SAFE on Relevant Issues Concerning the Reform and Regulation of the Administrative Policies of the Conversion under Capital Items (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (“Circular No.16”). The Circular No.16 allows all enterprises including foreign invested enterprises to convert 100 percent (subject to future adjustment at discretion of SAFE) of the foreign currency capital in their capital accounts into RMB at their own discretion without providing various supporting documents. However, to use the converted RMB, an enterprise still needs to provide supporting documents and goes through the review process with the banks for each withdrawal. A negative list with respect to the usage of the capital and the RMB proceeds through the aforementioned settlement procedure is set forth under the Circular No.16.

Environmental Protection

The major laws and regulations in the PRC concerning environmental protection include: Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Evaluation of Environmental Effects Law of the PRC (《中華人民共和國環境影響評價法》), Prevention and Control of Water Pollution Law of the PRC (《中華人民共和國水污染防治法》), Prevention and Control of Atmospheric Pollution Law of the PRC (《中華人民共和國大氣污染防治法》), Prevention and Control of Environmental Noise Pollution Law of the PRC (《中華人民共和國環境噪聲污染防治法》), Prevention and Control of Solid Waste Pollution Law of the PRC (《中華人民共和國固體廢物污染環境防治法》), and Regulations on Environmental Protection Management for Construction Projects (《建設項目環境保護管理條例》), and Promotion of Cleaner Production Law of the PRC (《中華人民共和國清潔生產促進法》).

According to the aforesaid laws and regulations, the PRC has established an environmental impact assessment system for project construction, and the construction, expansion and operation of products manufacturing facilities are subject to the advance approval and acceptance of the completed environmental protection facility from the competent the PRC environmental authorities. For failure to obtain the advance approval and acceptance of the completed environmental protection facility, the enterprise may be ordered to cease the construction or operation of facilities, or make repairs within the time limit or be fined by the competent the PRC environmental authorities. The aforesaid laws and regulations also impose fees for discharge of waste substances, and impose fines and indemnity for the improper discharge of

REGULATORY OVERVIEW

waste substances and serious environmental pollution. The PRC environmental authority may shut down any facility that fails to comply with the environmental protection laws and regulations at its discretion.

Regulations regarding urban sewage discharge

According to the Regulation on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》), which was promulgated by the State Council on 2 October 2013 and became effective from 1 January 2014, and the Measures for the Administration of Licenses for Urban Sewage Discharge into Drainage Networks (《城鎮污水排入排水管網許可管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部) on 22 January 2015 and became effective from 1 March 2015, companies must obtain an urban wastewater discharge permit the permit for discharging sewage into the drainage pipelines (排水許可證) from the competent urban drainage department before they may discharge sewage into the municipal drainage facilities. The permit will remain valid for five years. If a company fails to obtain or maintain the permit, it will be ordered to get the license, and can be imposed a fine of not more than RMB500,000. Also, according to the Regulations of Shanghai Municipality on Drainage Administration (《上海市排水管理條例》) and the Measures for the Administration of Shanghai Municipality on sewage treatment facilities (《上海市合流污水治理設施管理辦法》), if a company fails to obtain the permit, it will be ordered to make corrections within a time limit, and if it fails to correct it, it may be imposed a fine from RMB50,000 to RMB100,000.

Import and Export of Products

The major laws and regulations in the PRC concerning the import and export of goods include: Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) (“**Foreign Trade Law**”), Regulations on the Administration over Import and Export of Goods of the PRC (《中華人民共和國貨物進出口管理條例》) (“**Import and Export Regulations**”), Provisions of the Customs on the Administration of Registration of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位註冊登記管理規定》) and Measures for the Administration of Export License of Goods (《貨物出口許可證管理辦法》).

Foreign Trade Law was promulgated by the Standing Committee on 12 May 1994 and amended on 6 April 2004 and 7 November 2016. According to this law, foreign trade operators who engage in the import and export of goods or technologies shall process the filing and registration with the Department of Foreign Trade under the State Council or its authorised institute, unless otherwise provided by the laws and regulations. The specific method for filing and registration shall be formulated by the Department of Foreign Trade under the State Council. For the foreign trade operators who fail to register in accordance with the provisions of the regulations, the Customs will not process the import and export goods declaration and clearance procedure.

The Import and Export Regulations was promulgated by the State Council on 10 December 2001 and came into effect on 1 January 2002. According to this law, the State can prohibit and restrict the import and export of goods under the circumstances provided by the laws. No goods

REGULATORY OVERVIEW

can be imported and exported when the State prohibits. The goods under national restriction on import quantity shall be subject to the quota administration. The goods under other import restriction shall be subject to the permit administration. No restriction is imposed on the goods of free import.

Provisions of the Customs on the Administration of Registration of Customs Declaration Entities of the PRC was promulgated by the General Administration of Customs (海關總署) on 13 March 2014. According to this regulation, an organisation or individual in the PRC who directly imports or exports goods shall register with the appropriate local customs. After such registration, that the PRC organisation or individual may carry out the customs clearance at any port or place in the PRC at which there is a customs office.

Measures for the Administration of Export Licence of Goods was promulgated by the Ministry of Commerce on 7 May 2008. According to this regulation, the State enforces export license administration on goods subject to export restrictions. The Ministry of Commerce and the General Administration of Customs shall formulate, adjust and issue the annual Catalogue of Goods Subject to Export License Administration (《2017年出口許可證管理貨物分級發證目錄》).

Safe Production

Work Safety Law of the PRC (《中華人民共和國安全生產法》) (“**Work Safety Law**”) was promulgated by the Standing Committee on 29 June 2002, came into effect on 1 November 2002 and was revised on 27 August 2009 and 31 August 2014. According to this law, business entities shall meet the work safety conditions prescribed by relevant laws, administrative regulations, and national or industry standards, set aside and use work safety expenses exclusively for improving work safety conditions. Violations of the Work Safety Law may result in the imposition of fines and penalties, the suspension of operation, an order to cease operation, and/or criminal liability in severe cases. In addition, production and operation entities shall supply their employees with protective articles that meet national or industrial standards and instruct them to wear or use such articles as required.

Market Competition

Competitions among the business operators in the PRC are generally governed by the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (“**Anti-Unfair Competition Law**”), which was promulgated on 2 September 1993 and came into effect on 1 December 1993. According to the Anti-Unfair Competition Law, corporations, other economic organizations and individuals who are engaging in the trading of goods or profit-making services shall abide by the principles of voluntariness, equality, fairness, honesty and credibility, and observe generally recognized business ethics. Operators shall not conduct acts that damage the lawful rights and interests of other operators or that disturb the socio-economic order. Such acts include, but not limit to counterfeit, libel, malicious exclusion, commercial bribery and secret infringement. Any business operator who violates the Anti-Unfair Competition Law by engaging in the foregoing unfair competitive activities shall be ordered to cease such illegal activities, eliminate the influence of such activities or compensate the injured business operator. The

REGULATORY OVERVIEW

competent supervision and inspection authorities may also confiscate the illegal gains or impose fines on such business operators. For severe cases, business licences may be revoked. Such business operators may even be prosecuted if the illegal activities constitute a crime.

Product Quality

Product quality supervision in the PRC is generally governed by the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (“**Product Quality Law**”), which was promulgated on 22 February 1993 and amended on 8 July 2000 and 27 August 2009. Producers and sellers shall be liable for product quality in accordance with the Product Quality Law. Under the Product Quality Law, consumers or other victims who suffer personal injury or property damage due to product defects may claim compensation from the producer as well as the seller. The producer and the seller shall be jointly liable for the compensation. In case of violations of the Product Quality Law, the responsible authorities have the right to impose fines on the violators, order them to suspend operation, and revoke their business licenses. In serious cases, even criminal liability may be incurred.

According to Regulations on Quality Responsibility for Industrial Products (《工業產品質量責任條例》) promulgated on 5 April 1986 and effective as from 1 July 1986, manufacturers shall ensure that the quality of their products meets the requirements of relevant laws and regulations, quality standard and contracts. Moreover, manufacturers must set up a well-knit, coordinating and effective quality assurance system to stipulate accountability of product quality.

According to the PRC Tort Law (《中華人民共和國侵權責任法》) promulgated on 26 December 2009 and came into force on 1 July 2010 and the Opinions of the Supreme People’s Court of Several Issues concerning the Application of the PRC Tort Law (《最高人民法院關於適用〈中華人民共和國侵權責任法〉若干問題的通知》) promulgated on 30 June 2010 and came into force on 1 July 2010, in the event of damage arising from a defective product, the victim may seek compensation from either the manufacturer or seller of such a product. If the defect is caused by the seller, the manufacturer shall be entitled to seek reimbursement from the seller upon compensation of the victim. If the defect is caused by the manufacturer, the seller shall be entitled to seek compensation from the manufacturer upon compensation of the victim.

Consumer Protection

The principal legal provisions for the protection of consumer interests are set out in the Consumers Protection Law of the PRC (《中華人民共和國消費者權益保護法》) (“**Consumers Protection Law**”), which was promulgated on 31 October 1993 and came into effect on 1 January 1994. It was subsequently revised on 27 August 2009 and 25 October 2013. According to the Consumers Protection Law, the rights and interests of the consumers who buy or use commodities for the purposes of daily consumption or those who receive services are protected and all producers, service providers and distributors involved must ensure that the products and services will not cause damage to persons and properties. Violations of the Consumer Protection

REGULATORY OVERVIEW

Law may result in the imposition of fines. In addition, the operator will be ordered to suspend operations and its business license will be revoked. Criminal liability may be incurred in serious cases.

Advertising

Advertising Law of the PRC (《中華人民共和國廣告法》) was promulgated by the Standing Committee on 27 October 1994, came into effect on 1 February 1995 and the revision came into force on 1 September 2015. According to this law, an advertiser shall be responsible for the veracity of contents of advertisement. Where an advertisement indicates the performance, functions, place of origin, uses, quality, ingredients, price, producer, term of validity, and promises, among others, of the goods or the content, provider, form, quality, price, and promises, among others, of the services, such indication shall be accurate, clear, and understandable. Where an advertisement indicates that a gift is attached to the marketed goods or services, the variety, specification, quantity, term, and form of the gift goods or services shall be explicitly expressed. If the advertiser publishes false advertising, it will be punished by the relevant authorities by stopping advertising, eliminating the influence, and imposing a fine over three times but less than five times of the amount of the advertising expenses. If the amount of advertising expenses can not be calculated, or is obviously low, the fine will be ranging from RMB200,000 to RMB1,000,000.

The sales via TV and online platforms should also strictly comply with the Product Quality Law, the Tort Law, the Consumers Protection Law and the Advertising Law above.

Internet Information Services

Pursuant to the Administrative Measures for Internet Information Services (《互聯網信息服務管理辦法》) promulgated by the State Council on 25 September 2000 and subsequently amended on 8 January 2011, service providers who provide internet information to online users on a compensated basis (i.e. commercial internet information services) shall first apply for the Internet Information Services Value-added Telecommunications Service Operating Permit (互聯網信息服務增值電信業務經營許可證), while those who provide openly accessible internet information in a public domain on a non-compensated basis (i.e. non-commercial internet information services) shall first carry out record-filing measures. Pursuant to the Measures for the Archival Administration of Non-commercial Internet Information Services (《非經營性互聯網信息服務備案管理辦法》) promulgated by the former Ministry of Industry and Information Technology of the PRC (原中華人民共和國信息產業部) on 8 February 2005, a service provider who plan to provide non-commercial internet information services shall first file the record to the provincial telecommunications administration at his domicile. Based on the above regulations, our PRC Legal Advisor is of the view that since our services on the online platform (i.e. “www.miji.com.cn”) are on a non-compensated basis, it is considered as non-commercial internet services, and we have made proper filing to the relevant PRC authorities.

REGULATORY OVERVIEW

Mobile Applications

Providers that provide information services through mobile internet applications shall be governed by the Provisions on the Administration of Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》), which was promulgated by the Cyberspace Administration of China (國家互聯網信息辦公室) on 28 June 2016 and came into force on 1 August 2016, and the Interim Provisions on the Management of Preset and Distribution of Mobile Intelligent Terminal Application Software (《移動智能終端應用軟件預置和分發管理暫行規定》), which was promulgated by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) on 16 December 2016 and came into effect on 1 July 2017. The provider shall validate the authentic identity information of registered users on the basis of their mobile phone number and other information, and insure that the mobile intelligent terminal application software can be uninstalled except for basic functional software. The provider shall protect users' right to know and right to choose during the process of installation or use according to the law, and shall not activate such functions as collecting geographical location, reading the address book, using camera, and recording, activate functions irrelevant to services, or install irrelevant apps in a binding manner, without giving an explicit indication to and obtaining consent from users. The provider shall not produce or issue apps that infringe upon others' intellectual property rights and should perform other obligations according to the law to implement the information security management responsibilities.

Labor and Social Insurance

Labor Law of the PRC (《中華人民共和國勞動法》) was promulgated by the Standing Committee on 5 July 1994, came into effect on 1 January 1995 and was revised on 27 August 2009. According to this law, workers are entitled to fair employment, choice of occupation, labor remuneration, leave, a safe workplace, a sanitation system, social insurance and welfare and certain other rights. Employers may not require their employees to work in excess of the prescribed time limits and must timely pay wages that meet certain minimum wage standards. Employers shall establish and improve their work safety and sanitation system, educate employees on safety and sanitation and provide employees with a working environment that meets the national work safety and sanitation standards.

Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (“**Labor Contract Law**”) was promulgated on 29 June 2007 and came into effect on 1 January 2008. It was revised on 28 December 2012 and came into effect on 1 July 2013. According to this law, and the Regulation on the Implementation of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (promulgated on and effective as from 18 September 2008), labor contracts must be executed in writing to establish labor relationships between employers and employees. In the event of a violation of any legal provisions of the Labor Contract Law, administrative penalties may be imposed on employers by the competent the PRC government authority in charge of labor administration, including warnings, rectification orders, fines, orders for payment of wages and compensation to employees, revocation of business licenses and other penalties.

REGULATORY OVERVIEW

According to the Employment Promotion Law of the PRC (《中華人民共和國就業促進法》) (promulgated on 30 August 2007 and revised on 24 April 2015), workers seeking employment shall not be subject to discrimination based on factors such as ethnicity, race, gender, religious belief etc. The employer shall not refuse to recruit women or increase the thresholds for recruitment of women under the excuse of gender; or stipulate in the employment contract any content which restricts female employees from getting married or bearing child. Employers should provide suitable care to workers from minority ethnic groups in accordance with the laws, and not discriminate against the disabled. The employer shall not refuse to recruit any person under the excuse that he is a carrier of an infectious disease, except for such jobs as prohibited to engage in by laws, administrative regulations and the health administrative departments under the State Council for an easy spread of infectious diseases might be caused during the work. In addition, an enterprise shall make a provision of the operating fund for education of employees so as to offer to workers vocational skills training and continuing education. Anyone who violates this rule may be subject to punishment by the labor administrative department.

Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (“**Social Insurance Law**”) was promulgated by the Standing Committee on 28 October 2010 and came into effect on 1 July 2011. According to this law and other relevant social insurance regulations, employers in the PRC must register with the relevant social insurance authority and make contributions to the basic pension insurance, basic medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. Pursuant to the Social Insurance Law, basic pension insurance, basic medical insurance and unemployment insurance contributions must be paid by both employers and employees, while work-related injury insurance and maternity insurance contributions must be paid solely by employers. An employer must declare and make social insurance contributions in full and on time. The social insurance contributions payable by employees must be withheld and paid by employers on behalf of the employees. Employers who fail to register with the social insurance authority may be ordered to rectify the failure within a specific time period, a fine from one to three times of the actual premium may be imposed. If the employer fails to make social insurance contributions on time and in full, the social insurance collecting agency shall order the employer to make up the shortfall within the prescribed time period and impose a late payment fee amounting to 0.05% of the unpaid amount for each day overdue. If the non-compliance continues, the employer may be subject to a fine ranging from one to three times of the unpaid amount owed to the relevant administrative agency.

Regulations on Management of Housing Provident Funds (《住房公積金管理條例》) was promulgated by the State Council on 3 April 1999 and revised on 24 March 2002. According to this regulation, employers are required to register with the local housing fund management center and set up a special housing fund account with an entrusted bank. Employers are also required to contribute no less than 5% of each employee’s average monthly salary in previous year to the housing fund on behalf of their employees fully and timely. The subsequent late registration or no registration may be subject to the fine above RMB10,000 and below RMB50,000.

REGULATORY OVERVIEW

LAWS AND REGULATIONS ON PROPERTIES

Real Estate

Property Law of the PRC (《中華人民共和國物權法》) (“**Property Law**”) was promulgated on 16 March 2007 and came into effect on 1 October 2007. Property right mentioned in the Property Law means the exclusive right enjoyed by the obligee to directly dominate a given thing according to law, which consists of the right of ownership, the usufruct and the security interest on property. According to this law, the creation, alteration, transfer or extinction of the property right of the immovables shall become valid upon registration in accordance with the provisions of law. The building ownership certificate (房屋所有權證) is the proof that the obligee is entitled to the property right of the said buildings.

Land Administration Law of the PRC (《中華人民共和國土地管理法》) was promulgated by the Standing Committee on 25 June 1986 and revised on 28 August 2004. According to this law, and the Regulations for the Implementation of the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》) promulgated on 27 December 1998 and revised on 8 January 2011 and 29 July 2014, no entities or individuals may misappropriate, buy and sell land, or illegally transfer land by other means, however, the right to the use of land may be transferred in accordance with law. State-owned land to be lawfully used by entities or individuals shall be registered with and recorded by the people’s governments at or above the county level, which shall issue state-owned land use certificates (國有土地使用證) upon verification.

According to the Provisional Regulations of the PRC Concerning the Grant and Transfer of the Right to Use State-owned Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) promulgated on 19 May 1990 and became effective on the same day, any company, enterprise, other organisation and individual within or outside of the PRC may, unless otherwise provided by law, obtain land use rights and engage in land development, utilization and management in accordance with the provisions of these regulations. Land users shall enter into land use right grant contracts with land administration departments, and go through the registration, obtain land use certificates and accordingly land use rights in accordance with the relevant provisions after all land premium is paid. Land use rights shall be transferred by signing transfer contracts.

According to the Administrative Measures on the Lease of Commodity Housing (《商品房屋租賃管理辦法》) promulgated on 1 December 2010 and becoming effective on 1 February 2011, the parties to a housing tenancy shall go through the housing tenancy registration and filing process with the competent construction (real estate) departments of the municipalities directly under the Central Government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed.

Intellectual Property Rights

Patent Law of the PRC (《中華人民共和國專利法》) was promulgated by the Standing Committee on 12 March 1984 and came into effective on 1 April 1985. It was latest revised on

REGULATORY OVERVIEW

27 December 2008 and came into effective on 1 October 2009. According to this law and 27 December 2008 respectively as well as the Rules for the Implementation of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated on 19 January 1985 and revised on 15 June 2001, 28 December 2002 and 9 January 2010 respectively, a company can apply for an invention, utility or design patent based on the nature of the technical achievement. A patent is valid for a term of 20 years in the case of an invention and a term of 10 years in the case of a utility model and design, starting from the application date. A third-party user must obtain consent or a proper license from the patent owner to use the patent except for certain specific circumstances provided by law. Otherwise, the use will constitute an infringement of the patent rights. In the event of any acts which infringe upon the right to the exclusive use of a patent, the infringer would be ordered to stop the infringement acts immediately and give the infringed party compensation.

Trademark Law of the PRC (《中華人民共和國商標法》) (“**Trademark Law**”) was promulgated by the Standing Committee on 23 August 1982. It was latest revised on 30 August 2013 and came into effect on 1 May 2014. According to this law, and Regulations for the Implementation of the Copyright Law of the PRC (《中華人民共和國商標法實施條例》) promulgated on 3 August 2002 and revised on 29 April 2014, the Trademark Office of the State Administration for Industry and Commerce of the PRC (國家工商行政管理總局商標局) (“**Trademark Office**”) shall be in charge of the trademark registration and administration throughout the country. Trademarks that are registered upon verification and approval of the Trademark Office are registered trademarks, including commodity trademarks, service marks, collective marks, and certification marks. A trademark registrant shall be entitled to the exclusive right to use the registered trademark and such right shall be protected by law. In the event of any of the acts which infringe upon the right to the exclusive use of a registered trademark, the infringer would be imposed a fine, ordered to stop the infringement acts immediately, and give the infringed party compensation. Also, under the Trademark Law, a trademark registrant may, by concluding a trademark licensing contract, authorize another person to use its registered trademark. The licensor shall supervise the quality of the commodities on which the licensee uses the registered trademark, and the licensee shall guarantee the quality of the commodities on which the registered trademark is to be used. The trademark licensing contract shall be filed with the Trademark Office for record. The validity period of a registered trademark shall be 10 years starting from the date of registration. The validity period of a registered trademark may be extended upon expiry.

Copyright Law of the PRC (《中華人民共和國著作權法》) was promulgated on 7 September 1990 and revised on 27 October 2001 and 26 February 2010 respectively. According to this law and Regulations for the Implementation of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) promulgated on 30 May 1991 and revised on 2 August 2002, 8 January 2011 and 30 January 2013 respectively and the Regulation for Computer Software Protection (計算機軟件保護條例) promulgated on 4 June 1991 and revised on 20 December 2001, 8 January 2011 and 30 January 2013, any natural person, legal person or other organizations enjoy the copyright of their works, regardless of whether they are published or not.

REGULATORY OVERVIEW

Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) was promulgated on 20 February 2002. According to this law, such measures are applicable to registration of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The state copyright administrative department shall encourage software registration and give priority to the protection of the registered software.

LAWS AND REGULATIONS ON TAXATION

Enterprise Income Tax

Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (“EIT”) was promulgated on 16 March 2007 and amended on 24 February 2017. According to this law, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises which are established in the PRC according to law, or which are established according to the law of a foreign country (region) but whose actual management body is in the PRC. Non-resident enterprises refer to enterprises which are established according to the law of a foreign country (region) and whose actual management body is not in the PRC, but which have established agencies or offices or which haven’t established agencies or offices in the PRC but have income earned in the PRC. The rate of enterprise income tax is 25% generally and the rate of enterprise income tax of state supported new and high technology enterprises is 15%.

Income Tax on Share Transfer of Non-resident Enterprise

Pursuant to the Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Gain Derived from Equity Transfer Made by Non-Resident Enterprise (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (“**Notice 698**”) promulgated by the State Administration of Taxation (《中華人民共和國國家稅務總局》) (“SAT”) and came into effect from 1 January 2008, and the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“**Announcement No. 7**”) promulgated by SAT and came into effect on 3 February 2015, where a non-resident enterprise indirectly transfers properties such as equity in Chinese resident enterprises without any reasonable commercial purposes with the aim of avoiding to pay enterprise income tax, such indirect transfer shall be reclassified as a direct transfer of equity in Chinese resident enterprise in accordance with Article 47 of the EIT. Indirect transfer of PRC taxable properties shall mean transactions of non-resident enterprises which are carried out through transfer of equity of enterprises aboard that directly or indirectly hold PRC taxable properties (not including the Chinese resident enterprises registered aboard, hereinafter referred to as “enterprises aboard”) and other similar equities (hereinafter referred to as “equity”) and cause the concrete results same as or similar to that of direct transfer of PRC taxable properties, including the circumstance that the restructuring of non-resident enterprises causes changes of shareholders of enterprises aboard. Non-resident enterprises that indirectly transfer PRC taxable properties are referred to as equity transferor.

REGULATORY OVERVIEW

Announcement No. 7 replaced or supplemented certain previous provisions in the Notice 698. Announcement No. 7 provides two exemptions: (i) where a non-resident enterprise derives income from the indirect transfer of PRC taxable assets by acquiring and selling equity interests of the same listed overseas company on a public market; and (ii) where the non-resident enterprise had directly held and transferred such PRC taxable assets, the income from the transfer of such PRC taxable assets would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement. Therefore, a Shareholder buying and selling our Shares on a public market after the Listing is unlikely to be considered to have indirectly transferred equity interest or other assets in any of our PRC subsidiaries held by our Company.

Value-added Tax

All entities and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of the PRC shall pay value-added tax (“VAT”) in accordance with the Interim Regulation on Value Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (“**Interim Regulation on VAT**”) and its implementation rules. The Interim Regulation on VAT was promulgated by the State Council which became effective on 1 January 2009 and amended on 6 February 2016. Pursuant to the Interim Regulation on VAT and its implementation rules, VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is 17% or 13% in certain limited circumstances depending on the product type.

Withholding Tax on Dividends

According to the EIT and its Implementation Rules, generally a withholding tax rate of 10% will be imposed on dividends paid to non-PRC resident investors. The enterprise income tax rate on the dividends may be reduced pursuant to a tax treaty between the Mainland and the jurisdictions in which non-PRC investors reside. According to the Arrangements between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防治偷漏稅的安排》), which was signed on 21 August 2006 and revised on 1 April 2015, the withholding tax rate for dividends paid by the PRC resident enterprise to a Hong Kong resident enterprise is 5%, if the Hong Kong enterprise is the “beneficial owner” and holds at least 25% of equity interests of the PRC enterprise directly. According to Notice of the State Administration of taxation on Issues Concerning the Implementation of the Dividend Clauses of Tax Agreement (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated on 20 February 2009, the proportion of equities owned by the tax resident of the other side shall, at any time within the successive 12 months before obtaining dividends, comply with the specific proportion.

According to the Administrative Measures for Non-resident Taxpayers to Enjoy Treatments under Tax Treaties (《非居民納稅人享受稅收協定待遇管理辦法》) (“**Administrative Measures**”), which was promulgated on 27 August 2015 and came into force on 1 November 2015, where non-resident taxpayers are eligible for the treatment under agreements, they may, when filing tax returns, or when withholding agents make withholding declaration, enjoy the treatment under agreements at their own discretion.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

OVERVIEW

The history of our Group can be traced back to 2000 when Madam Maeck (our executive Director and Controlling Shareholder) incorporated Miji Germany, one of our operating subsidiaries which engages in development, design, manufacturing and marketing of lifestyle, home and household items and related components. Thereafter in October 2001, Madam Maeck established the principal operating subsidiary of our Group, Miji Shanghai. Madam Maeck incorporated Miji Germany and established Miji Shanghai utilising her personal financial resources.

Madam Maeck has over 17 years of experience in the kitchenware industry. Please refer to the section headed “Directors, Senior Management and Employees” in this prospectus for details relating to the qualification and experience of Madam Maeck.

BUSINESS MILESTONE

The key milestones in our Group’s development to date are set below:

Date	Event/Milestone
2000	Miji Germany was incorporated in Germany by Madam Maeck.
2001	Miji Shanghai was established in the PRC by Madam Maeck.
2002	The first generation of our portable dual-core radiant hob, Miji Gala I, was first launched in the market.
2002	Our Group commenced our direct sales business of radiant hobs in the PRC.
2003	A distributor was engaged by us in the PRC for sale of our radiant stoves at physical sale locations.
2007	Our Group commenced our sale from television platform.
2008	Miji Shanghai was first recognised as a new and high technology enterprise (高新技術企業) by the Science and Technology Commission of Shanghai Municipality, the Finance Department of Shanghai Municipality, Shanghai Municipal Office of the State Administration of Taxation, and Shanghai Municipality Bureau of Local Taxation.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

Date	Event/Milestone
2009	Our Group set up an online flagship store at tmall.com and commenced our online sales.
2014	A laboratory for quality control and research and development of radiant Hobs and Stoves was established by Miji Shanghai (the “ Laboratory ”).

Details of the key members of our Group and their respective corporate history are set out below:

OUR CORPORATE HISTORY

Our Company

Our Company is an exempted company incorporated in the Cayman Islands with limited liability on 16 May 2017. One Share was allotted and issued nil paid to the subscriber on 16 May 2017, which was subsequently transferred to Wide Big on the same date. As a result, our Company became a wholly-owned subsidiary of Wide Big and remained so until the completion of the Reorganisation. Upon completion of the Reorganisation, our Company became the holding company of our Group on 21 June 2018, details of which are set out in the paragraph headed “History, Development and Group Structure – Reorganisation” in this prospectus.

Miji Shanghai

Miji Shanghai was established in the PRC with a registered capital of US\$63,000 on 16 October 2001 with limited liability. The registered capital was fully paid up by December 2001. Miji Shanghai has been principally engaged in the business of development, design and manufacture of cooking appliances in the PRC.

For the purpose of increasing our working capital for business expansion in 2003, 2004 and 2017, the registered capital of Miji Shanghai was increased, which was fully paid up by March 2004, December 2006 and October 2017, respectively. The registered share capital of Miji Shanghai was increased to US\$4,200,000 after the said increases.

As part of the Reorganisation, on 21 August 2017, Madam Maeck as vendor and Miji Investments as purchaser entered into an equity transfer agreement, pursuant to which Miji Investments acquired the entire equity interest in Miji Shanghai, from Madam Maeck at a consideration of RMB20,000,000, which was determined with reference to the then net asset value of Miji Shanghai and was settled in or around October 2017. After the aforesaid equity transfer, Miji Investments held the entire equity interest of Miji Shanghai and Miji Shanghai became a wholly-owned subsidiary of Miji Investments.

Miji Germany

Miji Germany was incorporated in Germany with limited liability on 28 June 2000, and was wholly-owned by Madam Maeck.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

Miji Germany has been principally engaged in the business of design, manufacture and sale of cooking appliances in Germany since its incorporation. It has been holding various trademarks.

As part of the Reorganisation, on 5 October 2017, Madam Maeck as vendor and Miji Investments as purchaser entered into a sale and purchase agreement, pursuant to which Miji Investments acquired one share of Miji Germany, being its entire issued share, from Madam Maeck at a consideration of EUR200,000, which was determined with reference to the then net asset value of Miji Germany and was settled in or around October 2017.

After the aforesaid share transfer, Miji Investments held all the issued share of Miji Germany and Miji Germany became a wholly-owned subsidiary of Miji Investments.

Miji Yongxing

Miji Yongxing was established in the PRC with limited liability on 8 February 2012, and was owned as to 51% by Miji Shanghai and 49% by Shanghai Yongxing, an Independent Third Party owned as to 51% by Mr. Chen Jianping and 49% by Mr. Chen Kai, who, to the best knowledge of our Directors, have experience in the manufacture of components of household appliances. Miji Yongxing has been principally engaged in sale of components of cooking appliances since its establishment. At the time of establishment, the registered capital of Miji Yongxing is RMB5,000,000, which was fully paid up by January 2012.

Mikaiyi

Mikaiyi was established in the PRC with limited liability on 30 June 2015 with a registered capital of RMB3,000,000, and was owned as to 80% by Miji Shanghai and 20% by Mr. Yu, who, to the best knowledge of our Directors, had experience in the sale and marketing of kitchen cabinets. Mikaiyi has been principally engaged in the business of distribution of cabinets, electrical appliances and equipment for kitchen use since its establishment. All registered capital was fully paid up by April 2016.

As part of the Reorganisation and due to Mr. Yu's intention to focus on his other business, in March 2017, Mr. Yu as vendor and Miji Shanghai as purchaser entered into an equity transfer agreement, pursuant to which Miji Shanghai acquired 20% equity interest of Mikaiyi from Mr. Yu, at a consideration of RMB600,000, which was determined with reference to the then registered capital of Mikaiyi and was settled in or around October 2017. After the aforesaid equity transfer, Miji Shanghai held all the entire equity interest of Mikaiyi and Mikaiyi became a wholly-owned subsidiary of Miji Shanghai.

Miji Xuanshang

Miji Xuanshang was established in the PRC with limited liability on 14 March 2016, and was owned as to 39% by Miji Shanghai, 51% by Zhongke Tianjin and 10% by Mr. Zhou. As Zhongke Tianjin, one of our top five distributors during the Track Record Period, has experience

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

in the sale of small kitchen appliances and Mr. Zhou, a former employee of our Group, intended to invest and develop small kitchen appliance business, our Group established Miji Xuanshang with these two parties and Miji Xuanshang has been principally engaged in sale and manufacture of small electrical appliances since its establishment.

Miji Beijing

Miji Beijing was incorporated in the PRC with limited liability on 7 December 2017 and is wholly-owned by Miji Shanghai since its establishment. Miji Beijing has a registered capital of RMB1,000,000. As at the Latest Practicable Date, Miji Beijing has not commenced any operation or business activity since its inception. It will engage in the business of design, manufacture and sale of cooking appliances in northern China.

REORGANISATION

Disposal of Tianjin Haoshi

Tianjin Haoshi was established in the PRC with limited liability on 26 February 2006 and was owned as to 30% by Madam Maeck and as to 70% by 天津愛思北方科技有限公司 (Tianjin Aisi Beifang Technology Ltd.*) (“**Tianjin Aisi**”), an Independent Third Party.

Tianjin Haoshi was originally established for the purpose of engaging in the distribution of hobs and stoves, kitchen appliances and kitchenware. Before the Reorganisation, Tianjin Haoshi had been principally engaged in the distribution of Hobs and Stoves and was one of our top five distributors during the Track Record Period. To streamline our Group’s business, our Directors decided to dispose of Miji Shanghai’s equity interest in Tianjin Haoshi in preparation for Listing.

Since Tianjin Haoshi has already ceased operation, as part of the Reorganisation, on 27 July 2017, Madam Maeck, as transferor, and the spouse of an equity holder of Tianjin Aisi, as transferee, entered into an equity transfer agreement, pursuant to which Madam Maeck transferred to the said spouse her 30% interest in Tianjin Haoshi at nil consideration, which was determined with reference to the net asset value of Tianjin Haoshi. Upon the aforesaid equity transfer, our Group no longer has any equity interest in Tianjin Haoshi.

To the best of the Directors’ knowledge, there is no material non-compliance of applicable laws and regulations by Tianjin Haoshi; and there is no litigation or arbitration proceedings against Tianjin Haoshi during the Track Record Period that is of material importance or could have a material adverse effect on our Group’s financial condition or performance.

Disposal of Shanghai Catering

Shanghai Catering was established in the PRC with limited liability on 10 November 2011 and was owned as to 80% by Miji Shanghai and as to 20% by Ms. Song Yun (宋昀) (“**Ms. Song**”), who has become a director of Miji Shanghai in February 2017, at the time of establishment.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

Shanghai Catering was originally established for the purpose of engaging in catering service business in the PRC and our Group cooperated with Ms. Song to establish Shanghai Catering as Ms. Song has interest in investing in such business. Before the Reorganisation, our Directors confirm that Shanghai Catering had been providing free catering services to our Group's staff members in Shanghai as staff benefits. To streamline our Group's business, our Directors decided to dispose of Miji Shanghai's shareholding in Shanghai Catering in preparation for Listing.

As part of the Reorganisation, in July 2017, Miji Shanghai and Ms. Song transferred the entire equity interest in Shanghai Catering to an Independent Third Party, who is a former employee of Shanghai Catering at an aggregate consideration of RMB300,000, which was determined with reference to the net asset value of Shanghai Catering. The consideration was settled in October 2017. Upon the aforesaid equity transfer, our Group no longer has any equity interest in Shanghai Catering.

To the best of the Directors' knowledge, there is no material non-compliance of applicable laws and regulations by Shanghai Catering; and there is no litigation or arbitration proceedings against Shanghai Catering during the Track Record Period that is of material importance or could have a material adverse effect on our Group's financial condition or performance.

Disposal of Miji Hong Kong

Miji Hong Kong was incorporated in Hong Kong with limited liability on 16 January 2012. At the time of incorporation, Miji Hong Kong was owned as to 80% by Miji Shanghai, 10% by Mr. Ng Kin Wah and 10% by Mr. Ng Ka Lun. To the best knowledge of our Directors, Mr. Ng Kin Wah and Mr. Ng Ka Lun are family members and each of them is an Independent Third Party save for both being former shareholders of Miji Hong Kong and Mr. Ng Ka Wah being former director of Miji Hong Kong.

Miji Hong Kong was incorporated for the purpose of sale and marketing of our Group's products in Hong Kong and our Group intended to cooperate with the two Mr. Ng, who, to the best knowledge of our Directors, had experience in marketing household electrical appliances in Hong Kong, to develop the said business. Immediately before the Reorganisation, Miji Hong Kong does not have any operation.

In October 2013, due to our Group's intention to engage agent for marketing of our products in Hong Kong and the two Mr. Ng's intention to focus on their other businesses, Miji Shanghai acquired from each of Mr. Ng Kin Wah and Mr. Ng Ka Lun an aggregate of 60,000 shares, representing 20% of the then issued shares of Miji Hong Kong at a total consideration of HK\$60,000. As confirmed by our Directors, the aforesaid consideration was determined with reference to the nominal value of the shares and was settled in or around October 2013.

Since Miji Hong Kong no longer has any operation, as part of the Reorganisation, on 18 October 2017, Miji Shanghai transferred its entire issued shares in Miji Hong Kong to an Independent Third Party at a nominal consideration of HK\$1. Upon the aforesaid share transfer, our Group no longer has any shareholding interest in Miji Hong Kong.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

To the best of the Directors' knowledge, there is no material non-compliance of applicable laws and regulations by Miji Hong Kong; and there is no litigation or arbitration proceedings against Miji Hong Kong during the Track Record Period that is of material importance or could have a material adverse effect on our Group's financial condition or performance.

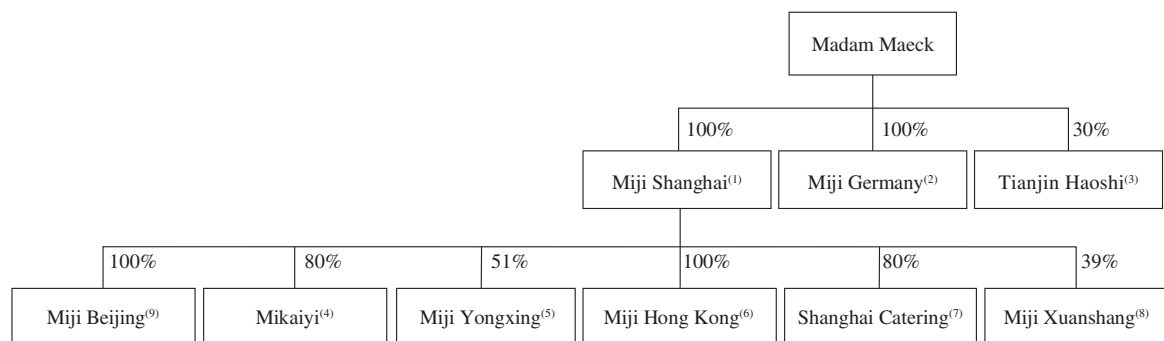
Corporate Reorganisation

Our Company completed the Reorganisation on 21 June 2018 in preparation for the Listing, pursuant to which our Company became the ultimate holding company of our Group. For details of the Reorganisation, please refer to the paragraph headed "4. Corporate Reorganisation" in Appendix IV to this prospectus.

As advised by our PRC Legal Advisor, the change of shareholdings in Miji Shanghai, being subsidiary of our Company established in the PRC, under the Reorganisation would not require any approval or permit from any relevant government authorities in the relevant place of establishment.

OUR GROUP STRUCTURE

The following diagram sets out the corporate structure of our Group immediately before the Reorganisation:



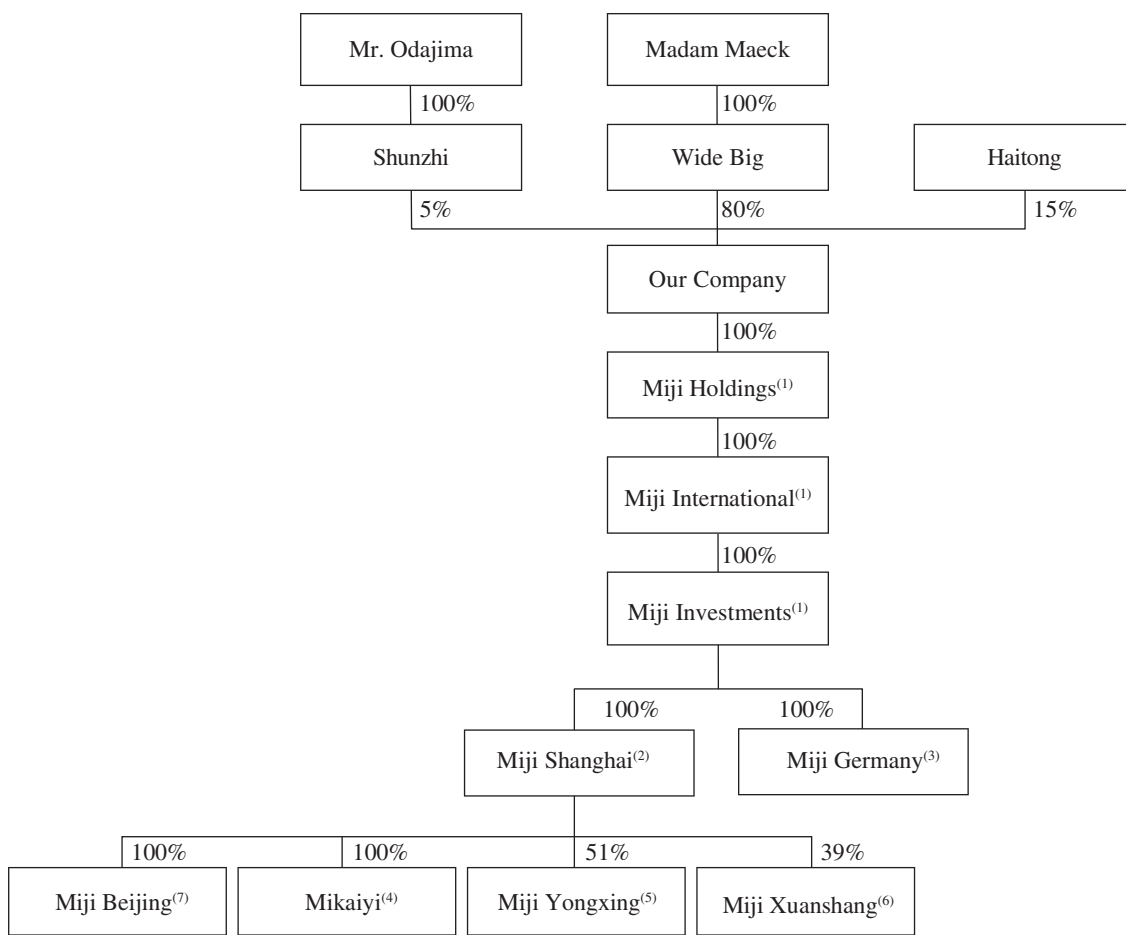
Notes:

- (1) Miji Shanghai has been principally engaged in the business of design, manufacture and sale of cooking appliances.
- (2) Miji Germany has been principally engaged in the business of design, manufacture and sale of cooking appliances. It has been holding various trademarks.
- (3) Tianjin Haoshi was principally engaged in distribution of Hobs and Stoves and was one of our top five distributors during the Track Record Period. The remaining 70% equity interest was owned by Tianjin Aisi, an Independent Third Party.
- (4) Mikaiyi has been principally engaged in the business of distribution of cabinets, electrical appliances and equipment for kitchen use. The remaining 20% equity interest in Mikaiyi was owned by Mr. Yu, an Independent Third Party.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

- (5) Miji Yongxing has been principally engaged in sale of components of cooking appliances. The remaining 49% equity interest in Miji Yongxing was owned by Shanghai Yongxing, an Independent Third Party.
- (6) Immediately before the Reorganisation, Miji Hong Kong does not have any operation.
- (7) Before the Reorganisation, our Directors confirm that Shanghai Catering had been providing free catering services to our Group's staff members in Shanghai as staff benefit. The remaining 20% equity interest in Shanghai Catering was owned by Ms. Song Yun. Ms. Song has become a director of Miji Shanghai in February 2017.
- (8) Miji Xuanshang has been principally engaged in sales and manufacture of small kitchen appliances. The remaining equity interest was owned as to 51% by Zhongke Tianjin and 10% by Mr. Zhou. Zhongke Tianjin was one of our top five distributors during the Track Record Period. Mr. Zhou is a former employee of our Group.
- (9) As at the Latest Practicable Date, Miji Beijing has not commenced any operation or business activity since its inception. It will engage in the business of design, manufacture and sale of cooking appliances in northern China.

The following diagram sets out the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Capitalisation Issue and the Share Offer (assuming that the Over-allotment Option is not exercised):



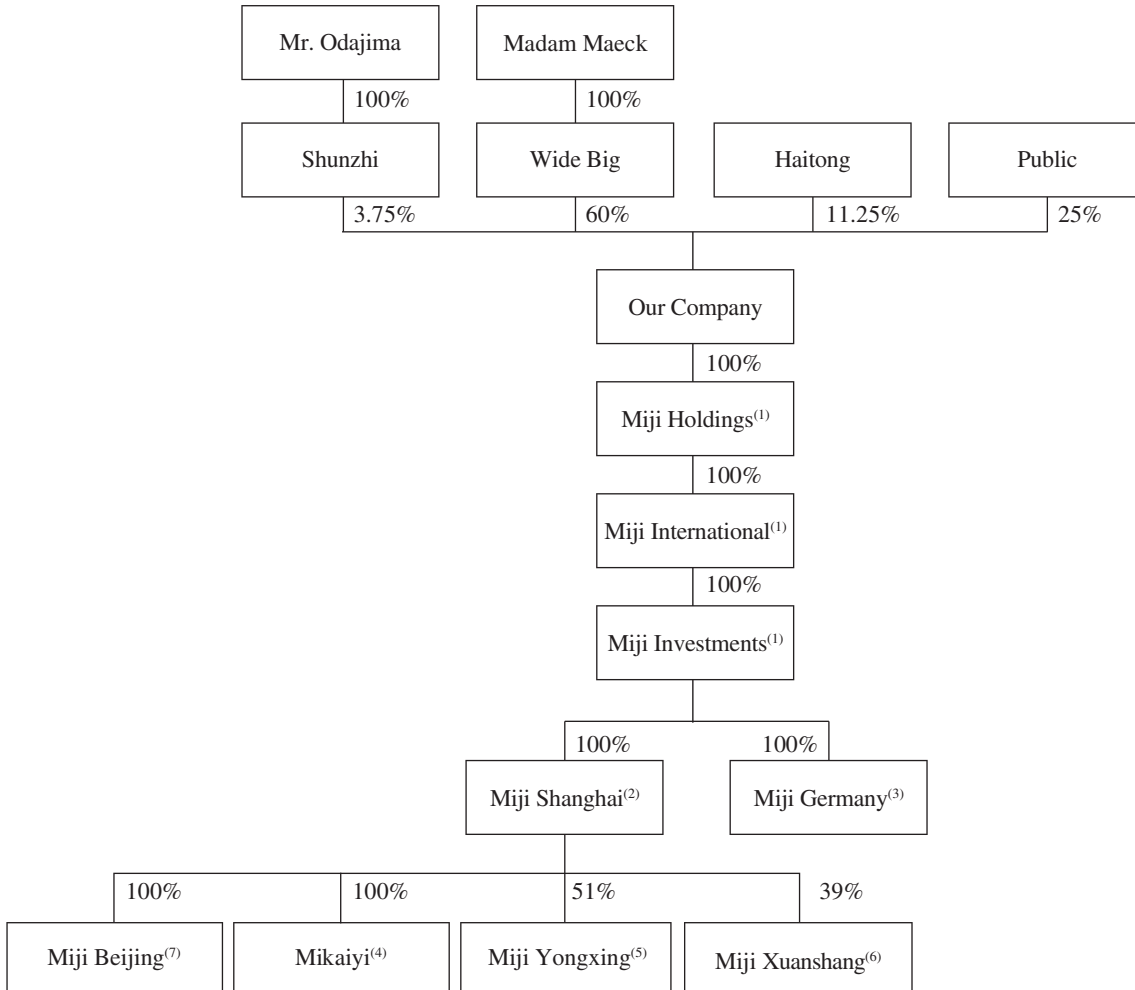
HISTORY, DEVELOPMENT AND GROUP STRUCTURE

Notes:

- (1) Miji Holdings, Miji International and Miji Investments are investment holding companies.
- (2) Miji Shanghai has been principally engaged in the business of design, manufacture and sale of cooking appliances.
- (3) Miji Germany has been principally engaged in the business of design, manufacture and sale of cooking appliances. It has been holding various trademarks.
- (4) Mikaiyi has been principally engaged in the business of distribution of cabinets, electrical appliances and equipment for kitchen use.
- (5) Miji Yongxing has been principally engaged in sale of components of cooking appliances. The remaining 49% equity interest in Miji Yongxing was owned by Shanghai Yongxing, an Independent Third Party.
- (6) Miji Xuanshang has been principally engaged in sales and manufacture of small kitchen appliances. The remaining equity interest was owned as to 51% by Zhongke Tianjin and 10% by Mr. Zhou. Zhongke Tianjin was one of our top five distributors during the Track Record Period. Mr. Zhou is a former employee of our Group.
- (7) As at the Latest Practicable Date, Miji Beijing has not commenced any operation or business activity since its inception. It will engage in the business of design, manufacture and sale of cooking appliances in northern China.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

The following diagram sets out the corporate structure of our Group after completion of the Reorganisation and immediately after completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised):



Notes:

- (1) Miji Holdings, Miji International and Miji Investments are investment holding companies.
- (2) Miji Shanghai has been principally engaged in the business of design, manufacture and sale of cooking appliances.
- (3) Miji Germany has been principally engaged in the business of design, manufacture and sale of cooking appliances. It has been holding various trademarks.
- (4) Mikaiyi has been principally engaged in the business of distribution of cabinets, electrical appliances and equipment for kitchen use.
- (5) Miji Yongxing has been principally engaged in sale of components of cooking appliances. The remaining 49% equity interest in Miji Yongxing was owned by Shanghai Yongxing, an Independent Third Party.

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

- (6) Miji Xuanshang has been principally engaged in sales and manufacture of small kitchen appliances. The remaining equity interest was owned as to 51% by Zhongke Tianjin and 10% by Mr. Zhou. Zhongke Tianjin was one of our top five distributors during the Track Record Period. Mr. Zhou is a former employee of our Group.
- (7) As at the Latest Practicable Date, Miji Beijing has not commenced any operation or business activity since its inception. It will engage in the business of design, manufacture and sale of cooking appliances in northern China.

PRE-IPO INVESTMENT

Pursuant to a subscription agreement dated 12 September 2017 entered into by and between Shunzhi and Miji Holdings and a subscription agreement dated 12 September 2017 entered into by and between Haitong and Miji Holdings, Miji Holdings agreed to issue and allot five and 15 shares to Shunzhi and Haitong, respectively and Shunzhi and Haitong agreed to subscribe the relevant shares of Miji Holdings.

Investment by Shunzhi and Haitong

Details of the investment by Shunzhi and Haitong are set forth below:

Date of the Shunzhi Subscription Agreement and Haitong Subscription Agreement:	12 September 2017	12 September 2017
Parties to the Shunzhi Subscription Agreement and Haitong Subscription Agreement:	Shunzhi and Miji Holdings	Haitong and Miji Holdings
Amount of consideration paid:	HK\$5,800,000	HK\$17,400,000
Payment date:	14 September 2017	13 September 2017
Cost per Share^(Note 1):	0.103	0.103
Discount to the Offer Price^(Note 2):	68.8%	68.8%
Use of proceeds:	Reorganisation, expansion of sales channels, development of new product and general working capital of our Group	Reorganisation, expansion of sales channels, development of new product and general working capital of our Group

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

Shareholding in Miji Holdings immediately after the completion of the Shunzhi Subscription Agreement and the Haitong Subscription Agreement:	5%	15%
Shareholding in our Company immediately after the Capitalisation Issue but before the Share Offer:	5%	15%
Shareholding in our Company immediately after the Capitalisation Issue and the Share Offer:	Approximately 3.75%	Approximately 11.25%
Reasons for and strategic benefits to our Company:	Provides additional working capital to our Group and bring in knowledge and connection beneficial to our Group's development	Broadens our shareholder base and provides additional working capital to our Group

Notes:

- (1) 1,125,000,000 Shares are in issue and outstanding after the completion of the Capitalisation Issue.
- (2) Assuming the Offer Price is fixed at HK\$0.33, being the mid-point of the indicative Offer Price range.
- (3) As at Latest Practicable Date, HK\$16.8 million of the total amount of consideration paid by Shunzhi and Haitong has been utilised for the payment of reorganisation, expansion of sales channels, development of new product and general working capital of our Group.
- (4) Assuming that the Over-Allotment Option is not exercised.

Pursuant to the investors' rights agreement entered into by and among Miji Holdings, Wide Big, Shunzhi and Haitong on 12 September 2017:

- (1) Shunzhi is, subject to certain limitations, entitled to certain special rights including (i) rights to receive periodic financial and other information; (ii) veto rights on certain significant corporate matters; and (iii) an option to sell the shares purchased by Shunzhi to Wide Big if the Listing does not occur by 31 December 2018. All special rights will terminate on the Listing Date; and
- (2) Haitong is, subject to certain limitations, entitled to certain special rights including (i) rights to receive periodic financial and other information; (ii) veto rights on certain significant corporate matters; (iii) an option to sell the shares purchased by Haitong to Wide Big if the Listing does not occur by 31 December 2018; and (iv) right to receive

HISTORY, DEVELOPMENT AND GROUP STRUCTURE

cash compensation if the after tax profit of our Group for the year ending 31 December 2017 is less than HK\$20,000,000. All special rights will terminate on the Listing Date.

The respective purchase price paid by Shunzhi and Haitong was determined on an arm's length basis as a result of negotiations among the parties.

Information regarding the Pre-IPO Investor

Shunzhi is wholly-owned by Mr. Odajima. To the best knowledge of our Directors, Mr. Odajima held senior positions in various Japanese companies engaged in the manufacturing and trading industry as well as the provision of building management services before retirement. He is also a strategic shareholder of PRC listed companies engaged in the pharmaceutical industry. Mr. Odajima accumulated vast knowledge and experience in the fields of finance and business management and developed an extensive business network over the years.

Haitong is a segregated portfolio of Haitong Global Investment SPC III, an exempted company incorporated with limited liability and registered as a segregated portfolio company with the Registrar of Companies of the Cayman Islands on 9 May 2016. Haitong was established and registered as a segregated portfolio on 22 May 2017. Haitong Global Investment SPC III has appointed Haitong Manager as its investment manager. Haitong Manager is licensed by the SFC to conduct Type 4 (advising on securities), Type 5 (advising on futures contract) and Type 9 (asset management) regulated activities as defined in the SFO in Hong Kong.

The Haitong Manager has been managing the funds and assets of Haitong for institutional and private clients. Haitong had defined investment objectives and mandates to invest in a wide range of companies. Investors of the funds were required to effectively delegate, without recourse, the investment decisions and voting powers of the Shares to the Haitong Manager. The Haitong Manager has no other connection with our Company.

Shunzhi (including Mr. Odajima) and Haitong are independent to each other.

Lock-up and Public Float

As Haitong is a substantial shareholder of our Company, Haitong will not be counted towards the public float after the Listing. As Shunzhi is not a core connected person of our Company, Shares held by Shunzhi will be counted towards the public float after the Listing.

Each of Haitong and Shunzhi has entered into a lock-up undertaking in favour of our Company, pursuant to which each of Haitong and Shunzhi will not, at any time during the period of six months following the Listing Date, dispose of any of Shares held by it.

Compliance with Interim Guidance

The Sole Sponsor has determined that the terms of the pre-IPO investment by each of Haitong and Shunzhi are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on 13 October 2010 as the consideration for the pre-IPO investment was settled more than 28 clear days before the date of our first submission of the listing application form to the Listing Division of the Stock Exchange in relation to the Listing, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 as the special rights granted to the pre-IPO investor will terminate upon Listing.

OVERVIEW

We develop, manufacture and sell premium kitchen appliances to middle-class and upper-middle-class customers. According to the CIC Report, we were the largest premium radiant stove manufacturer and supplier in the PRC in 2017 in terms of the retail sales value of the PRC's premium radiant stove market.

Our products mainly are Hobs and Stoves (including radiant stoves and induction stoves). Our core brands are “Miji Design” (德國米技) , “Miji Home” (米技生活)  and “Miji Pro” (米技商用) . For the manufacturing of our Hobs and Stoves, we have two factories located in Shanghai, the PRC and one production workshop in Germany with an aggregate gross floor area of approximately 9,100 sq.m. All our Hobs and Stoves comply with the relevant safety standards and mandatory registration requirements such as CCC and QB/T 4404-2012 in the PRC and Germany.

Our products are mainly sold in the PRC. We distribute our products across the PRC through various sales channels comprising mainly our distributors, consignment sales, television platforms, online platforms and corporate clients. We also sell some products in Germany through Amazon Germany. During the Track Record Period and up to the Latest Practicable Date, we confirm that there is no change in the nature of business that is being contemplated.

According to the CIC Report, the PRC's premium radiant stove market was relatively concentrated, with the top five participants accounting for an aggregate market share of approximately 60.4% in terms of retail sales value in 2017. The total retail sales value of the PRC's premium radiant stove market in 2017 was approximately RMB1,097.8 million and our market share was approximately 36.0%.

Our Directors believe that the growth our Group experienced during the Track Record Period was mainly driven by (i) the increasing disposable household income of the PRC consumers; (ii) the rising health awareness of the PRC consumers; and (iii) the increasing market penetration of our products through various sales channels, in particular the sales from online platforms. For the Track Record Period, our revenue was approximately RMB216.8 million, RMB228.1 million and RMB255.4 million, respectively, representing a CAGR of approximately 8.5% from 2015 to 2017. On the other hand, our net profit for the same periods was approximately RMB18.3 million, RMB24.1 million and RMB21.1 million, respectively.

For the Track Record Period, our top five customers accounted for approximately 76.4%, 68.0% and 46.3% of our total revenue, respectively, whilst our largest customer accounted for approximately 44.7%, 39.5% and 15.1% of our total revenue for the same respective periods.

In the future, we intend to maintain our leading position in the market by enhancing our product portfolio, devoting more resources to research and development and expanding our sales channels.

COMPETITIVE STRENGTHS

Our well-established leading market position has benefitted our business performance

According to the CIC Report, we were the largest premium radiant stove market player in the PRC in 2017 in terms of the retail sales value of the PRC's premium radiant stove market. Furthermore, throughout the years, we have obtained a number of research funds from various government and industrial organisations. Please refer to the paragraph headed "Research and Development" in this section for details of funds obtained.

Miji Shanghai was recognised as a new and high technology enterprise (高新技術企業) accredited jointly by the Science and Technology Committee of Shanghai Municipality, the Finance Bureau of Shanghai Municipality, the Shanghai Municipal Office of the State Administration of Taxation, and the Shanghai Municipal Bureau of Local Taxation for the period from 2008 to 2020.

Our Directors believe that, being a major player in the premium radiant stove market in the PRC, we have been able to enjoy leverage in procurement, product pricing and expansion of our customer base. Given the reliable quality of our products and our long history in the market, our Directors also believe we have established a strong corporate identity amongst consumer brand manufacturers, which helped us to expand our business with existing customers and to market our products to potential customers.

Our sales network and diversified sales channels enable us to serve a broad customer base and meet growing and different customer demand

We have diversified sales channels with a wide geographic coverage in the PRC, which enables us to integrate a full range of products under our brands to cater to the spending power and habits of different customers throughout the PRC. Our sales are conducted by our distributors and us directly through various sales channels, including sales locations in shopping malls and department stores, television platforms, and online platforms such as Taobao, Tmall and JD.com.

As at the Latest Practicable Date, we had a total of 68 physical sales locations operated by our distributors and 64 consignment stores operated by us. Our consignment stores and the physical sales locations operated by our distributors are primarily located in shopping malls and department stores where we believe are suitable for marketing our premium Hobs and Stoves.

Other than marketing our products to individuals customers through consignmentship and distributorship, we also market to corporate clients such as real estate and hotel developers. Our Directors believe that through our diversified sales channels, we could serve a broad customer base.

BUSINESS

Strategic alliance with reliable suppliers

We have a long and stable relationship with EGO, which has been providing us with radiant and induction heat-generating components and control panels, and with SCHOTT, which has been providing us with ceramic glass-tops, for our Hobs and Stoves.

EGO group is one of the global leaders of parts and components of electric heating devices (among others, heat-generating components and control panels) used in our Hobs and Stoves. Our engineers work closely with EGO group to jointly design specific parts and components that best fit our Hobs and Stoves. During the Track Record Period, we spent our budget of research and development efficiently as we were not charged for any design or development fees by EGO group.

SCHOTT group is one of the global leaders of supplying ceramic glass-tops used in our Hobs and Stoves. SCHOTT group has introduced a new eco-friendly ceramic glass panel that is resistant against abrupt temperature shocks up to 750°C and does not contain toxic heavy metals arsenic and antimony. SCHOTT has been our key supplier for over 16 years.

The following table shows the respective amount of our purchases from EGO and SCHOTT to our total purchase for the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	Purchase amount	Percentage of our Group's total purchase	Purchase amount	Percentage of our Group's total purchase	Purchase amount	Percentage of our Group's total purchase
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
EGO	24,725	19.5	18,486	21.1	13,896	10.5
SCHOTT	19,106	15.1	14,797	16.9	13,001	9.9

While EGO and SCHOTT are our strategic suppliers, to ensure a stable supply of parts and components, our procurement department from time to time researches on and looks for alternative suppliers which can offer parts and components at terms, price, and quality comparable to those offered by EGO and SCHOTT. As at the Latest Practicable Date, there were alternative suppliers readily available in the market that can offer parts and components at terms, price and quality comparable to our strategic suppliers. Therefore, our business operations will not be interrupted in the event that any of our strategic suppliers ceases to supply parts and components to us.

Reputation of our brand

Attributable to our effort on strict internal quality control, supplier selection, and design and engineering production, we have long been selling products with reliable quality to our customers. When CCC became mandatory for electric stoves in the PRC in 2002, our Hobs and

BUSINESS

Stoves were among the first batch of electric stove products being granted CCC. The core components of our Hobs and Stoves have been awarded various certification on including but not limited to the EMC (electromagnetic compatibility) standard, EMF (electromotive fields) standard and VDE. Also, our quality management systems for manufacturing our Hobs and Stoves have been awarded certifications such as ISO9001, CCC, CE, QB/T and GS. During the Track Record Period, save for the two incidental refunds from Zhongke Group disclosed in the paragraph headed “Distributorship – Buy-back and return” in this section, our Group’s sales return amounted to approximately RMB34,000, RMB208,000 and RMB388,000, representing approximately 0.02%, 0.1% and 0.2% of our total revenue of the same period. These certifications demonstrate the safety and quality of our Hobs and Stoves, reinforcing the reputation of our brand name and builds consumers’ confidence in our products.

To promote our brand, our Group has been implementing marketing strategies and sales channels expansion strategies since our presence in the PRC market. We also organised cooking demonstrations in shopping malls, trade fairs and our consignment stores in the PRC, through which we have introduced to our target customers advantages of flameless cooking, which is safer, healthier and more environmental friendly as compared to flame cooking.

Standard of product safety

We have a team stationed in the laboratory accredited by CNAS dedicated to product safety by examining the parts obtained from suppliers and our products before marketing them. Our Group is an active industry player involved in setting the standard of not only product safety but also performance at the regulatory level. For instance, our Company has participated in the national standard drafting working group under the National Technical Committee on Household Electric Appliances of Standardisation Administration of China, which is the governmental institution responsible for setting the standards for household and similar electrical appliances.

As at the Latest Practicable Date, our product safety department consisted of six members. Our product safety department is led by an expert with professional qualification in production and product safety and has obtained qualification in electrical engineering over 20 years.

During the Track Record Period and up to the Latest Practicable Date, we were not found responsible for any accidents caused by our products or for not complying with the production standards required by the applicable laws and regulations.

Experienced and professional management team

Our senior management team is led by Madam Maeck, our executive Director and Controlling Shareholder who has over 17 years of experience in the industry, management and actual operation experience.

In 2001, Madam Maeck was recognised by the Shanghai Municipal Personnel Bureau, the predecessor of the Human Resources and Social Security Bureau (人力資源和社會保障局) as one of the scholars studied abroad who was eligible for preferential treatment for investment in

Shanghai, PRC (出國留學人員來滬投資享受優惠). She was conferred the title of adjunct professor on 1 September 2015 and appointed as advisor for master of international business for the period from April 2017 to March 2020 by Shanghai University of International Business and Economics. She was also selected as one of the Leading Talents of Minhang District (閔行領軍人才), Shanghai, China by the Shanghai Minhang District Human Resource and Social Security Bureau (上海閔行區人力資源和社會保障局) in 2013. Madam Maeck also received several awards in recognition of her entrepreneurship, including the 5th Shanghai Science and Technology Entrepreneur (Women Entrepreneur) Innovation Award (第五屆上海科技企業家(女企業家)創新獎) in 2010, and Shanghai Business Outstanding Entrepreneur (上海商業優秀企業家) for the year of 2016.

Members of our senior management team have in-depth knowledge of and extensive experience in business management in the PRC and/or Germany. Our executive Director, Mr. Michel, has over 28 years of experience in the electrical appliances industry. He has been the general manager of several major electrical appliance manufacturing companies, and responsible for the general performance of our Group. Our research and development director, Mr. Fang Zongda, is an expert in industrial standard of electric stoves in the PRC and has over 15 years of experience in electrical engineering. Our financial controller, Ms. Li Hongyu, has over seven years of experience in the accounting industry.

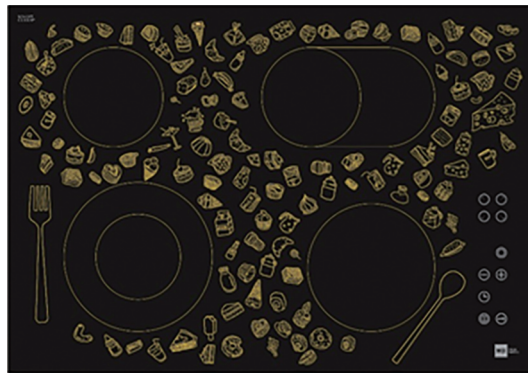
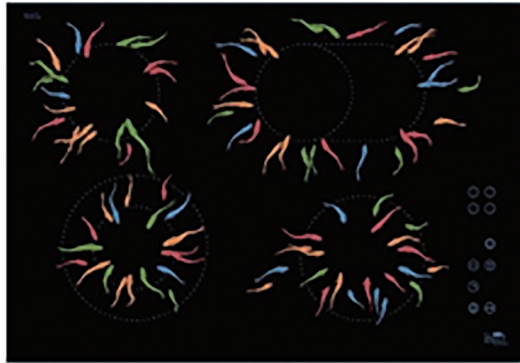
Together with the other dedicated senior staff, we have an experienced and professional management team which will continue to commit to the growth and development of our Group.

Capable design and engineering team

As at the Latest Practicable Date, our Group of nine in-house designers and engineers comprised of four structural engineers, one electrical engineers, one quality engineer, one sales designer, one structured design management personnel and one designing supervisor. Most of them hold a bachelor's degree in their specialised fields. We encourage our designers and engineers to attend various internal and external training to enhance their knowledge on product development.

Our Group occasionally engaged external designers for designing the outlook of our Hobs and Stoves. Apart from that, we also cooperated with SCHOTT, for our “Art Kitchen” project, through which we created artistic kitchen designs for the glass-top of our Hobs and Stoves. Our “Art Kitchen” project aimed to bring art into life and bring fashion into kitchen, combining and expressing artist's special creation in modern high-end kitchens.

Below are some glass-top designs of our “Art Kitchen” project:



OUR STRATEGIES AND FUTURE PLANS

We aim to further deepen and expand our business in the PRC by increasing our products' geographical, sales channel coverage and market share. We intend to achieve our goal by pursuing the following principal strategies:

We plan to establish showrooms and consignment stores in selected major cities in the PRC

Along with the experiential sales model, we intend to open four experiential showrooms in Shanghai, Beijing, Nanjing and Shenzhen by the end of 2020. We also intend to open new consignment stores to expand our consignment sales network. We select a location to establish showrooms and consignment stores in the geographical location in which the market is not saturated and addition of such showrooms or consignment stores in that geographical location will not induce excessive competition among our existing distributors and consignees. We believe this could strengthen our brand exposure in the PRC.

Through the showrooms and consignment stores, we intend to offer our existing and potential customers opportunities to experience our products by participating in cooking demonstrations and classes. We believe that giving our customers enjoyable cooking experience using our Hobs and Stoves is the most direct way to promote them. This also complements the sales functions of in-store, online and television sales platforms. While we can divulge massive information about our products to our existing and potential customers through online and television sales platforms within a short period of time, the showrooms and consignment stores allow our existing and potential online customers to physically examine, experience and purchase our products.

By strengthening our presence in the major cities in the PRC, our Directors believe that it will enable us to build up our brand in cities outside Shanghai as well as to serve as an effective channel to promote our products. Currently, we mainly rely on our distributors and consignees to promote and sell our new products directly to consumers outside Shanghai and Beijing. We will showcase and sell our products and organise various experiential activities such as cooking demonstrations and classes in our new showrooms, manifesting our spirit of "Miji Joy in the Kitchen".

The amount of expected capital expenditure for each of the four showrooms in Shanghai, Beijing, Nanjing and Shenzhen is HK\$1.6 million and it will be fully funded by the net proceeds of the Share Offer. Further, these showrooms will be operated on leased properties and we expect that relevant terms of lease will range from three to five years.

We will analyse our inventory levels, implementation of the experiential activities and customers' feedback. Our sales and marketing department will monitor the performance of our consignment stores ensuring they are operating in accordance with our Group's image and policy.

We plan to expand and strengthen our sales and marketing department and channels

We intend to recruit more sales and marketing personnel to implement our strategies to increase our market shares in existing channels and develop new sales channels. We also plan to recruit more staff to support the expansion and to enhance the efficiency of our distribution network, thereby enabling us to further penetrate into our existing markets.

We plan to strengthen our brand recognition and awareness by enhancing our marketing and promotional activities. Our Directors consider that brand awareness and recognition are critical to our success. We will continue to enhance our brand recognition and exposure through various mediums, such as television, internet, mobile application, outdoor LED advertisements and roadshows. In this connection, we plan to increase our budget for advertisements.

We plan to continue the project of 米技電爐具智能化服務平臺建設 (Establishment of Smart Service Platform for Miji Electric Stoves*)

Our Group was granted 上海張江國家自主創新示範區專項發展資金 (Shanghai Zhangjiang National Demonstration Zone for Autonomous Innovation Special Development Funds*) by 上海市張江高新技術產業開發區管理委員會 (Management Committee of Shanghai Zhangjiang Hi-tech Development Zone*) for the project of 米技電爐具智能化服務平臺建設 (Establishment of Smart Service Platform for Miji Electric Stoves*) (the “**Project**”) for the term commencing from 1 January 2017 to 31 December 2018. Pursuant to the project, our Group will develop a mobile application which will be a smart service platform for the end-users of our Hobs and Stoves.

The mobile application will have the following functions:

- Connecting smart phones with our Hobs and Stoves via wifi. Through such connection, our Group will collect usage data, such as cooking temperature and time. We will then analyse the data to understand the cooking habits of the end-users and optimise our Hobs and Stoves products accordingly for the end-users.
- Based on the data we collect from them through the mobile application, our mobile application will recommend cooking recipes designed for end-users of our Hobs and Stoves.
- Serving as a promotion and marketing platform, through which we can from time to time notify the mobile application users of our latest products and promotions.
- Serving as an additional sales platform, through which the mobile application users can purchase our products.
- Serving as an after-sales service, through which the mobile application users can enquire about warranty terms and order repair and maintenance services

BUSINESS

The Project is subject to certain laws and regulations of the PRC in relation to the mobile applications. For details of the statutory requirements, please refer to the paragraph headed “Regulatory Overview – Mobile Applications” in this prospectus. We will ensure that we have complied with all the statutory requirements in relation to the mobile applications in the PRC before implementation of the Project.

We plan to expand our product portfolio

We are continuously strengthening our product development capabilities. We aim to take advantage of our in-depth industry knowledge and strong relationships with suppliers, distributors and other industry players to develop and diversify our product portfolio of Hobs and Stoves with a focus on value-added attributes that allow us to further capture pricing premiums such as touch controls, automatic pot recognitions, precise temperature controls, and connectivity.

BUSINESS MODEL

Our Group’s current core business is to market Hobs and Stoves, among other ancillary products, of our own brands to middle-class and upper-middle-class customers in the PRC. We design, develop, and assemble our own Hobs and Stoves and also source from OEMs pots and pans, hoods and ovens, and small kitchen appliances and certain radiant stoves manufactured under our own brands. We also import and market kitchen cabinet sourced from a supplier of kitchen cabinet in Germany for our high-end customers. Please refer to the paragraph headed “Sourcing of our pots and pans, hoods and ovens, small kitchen appliances and radiant stoves from OEMs” in this section for detail on the sourcing procedures.

The following table sets forth the revenue attributable to the products manufactured by our Group and our Group’s OEM products during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	<i>Revenue</i>	<i>% of total</i>	<i>Revenue</i>	<i>% of total</i>	<i>Revenue</i>	<i>% of total</i>
	<i>RMB’000</i>	<i>revenue</i>	<i>RMB’000</i>	<i>revenue</i>	<i>RMB’000</i>	<i>revenue</i>
Products manufactured						
by our Group	204,805	94.5	204,492	89.7	203,676	79.8
OEM products	11,945	5.5	23,600	10.3	51,708	20.2
Total	216,750	100.0	228,092	100.0	255,384	100.0

We produce our Hobs and Stoves by assembling, among others, the heat-generating components sourced from EGO, which is the PRC subsidiary of E.G.O. Blanc und Fischer & Co. GmbH, and the ceramic glass panels sourced from SCHOTT, which is the PRC subsidiary of SCHOTT AG, together with other ancillary structural parts and casings. Please refer to the

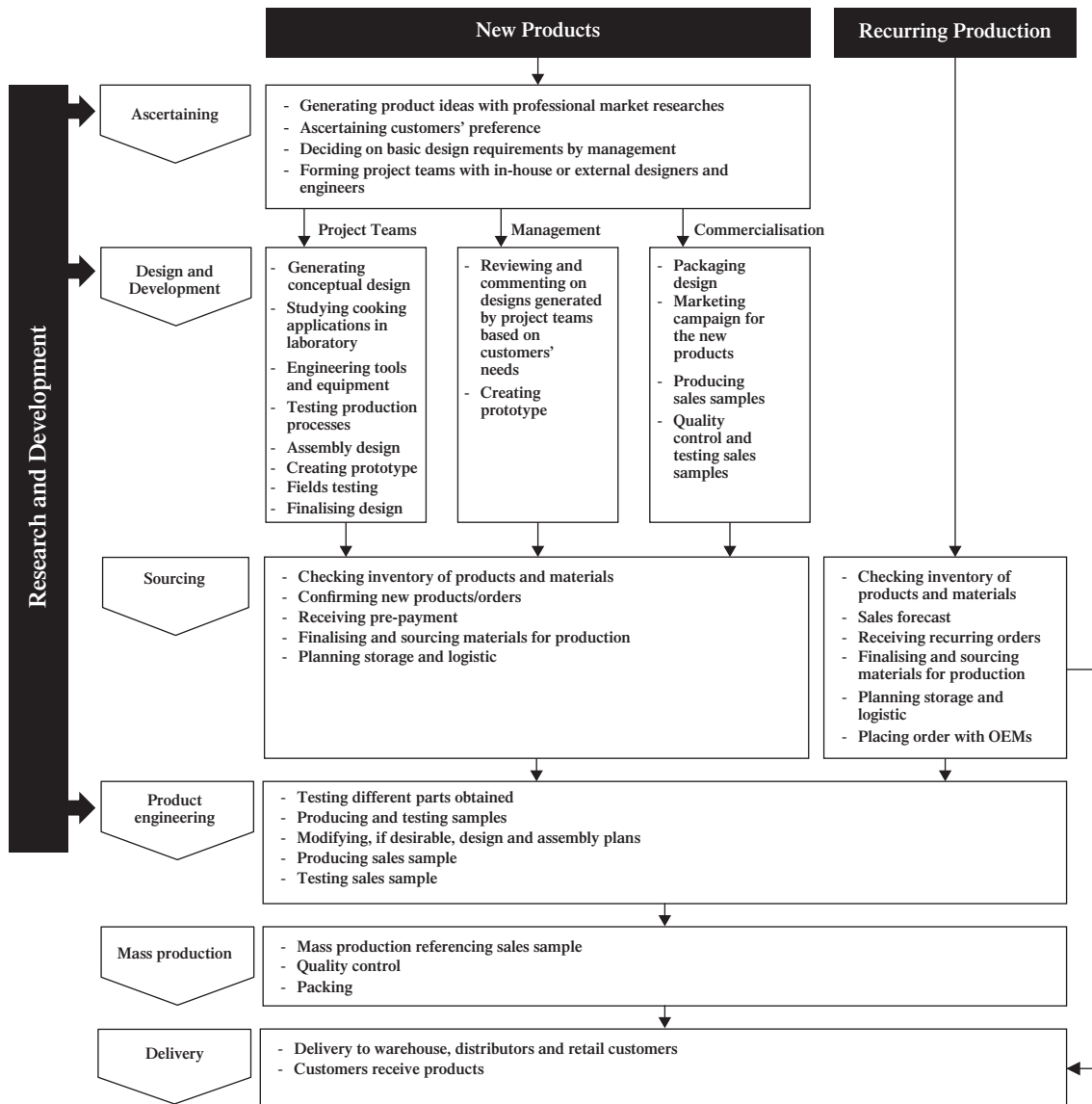
BUSINESS

paragraph headed “Operation flow of our Hobs and Stoves” in this section for details on the operation flow concerning our Hobs and Stoves.

Our Hobs and Stoves are our main products and revenue driver, whereas our pots and pans, hoods and ovens, small kitchen appliances and kitchen cabinets are our ancillary products complementing our Hobs and Stoves and enriching our product offerings. Please refer to the paragraph headed “Product – By revenue” in this section for the breakdown of revenues generated from the sales of our products.

Operation flow of our Hobs and Stoves

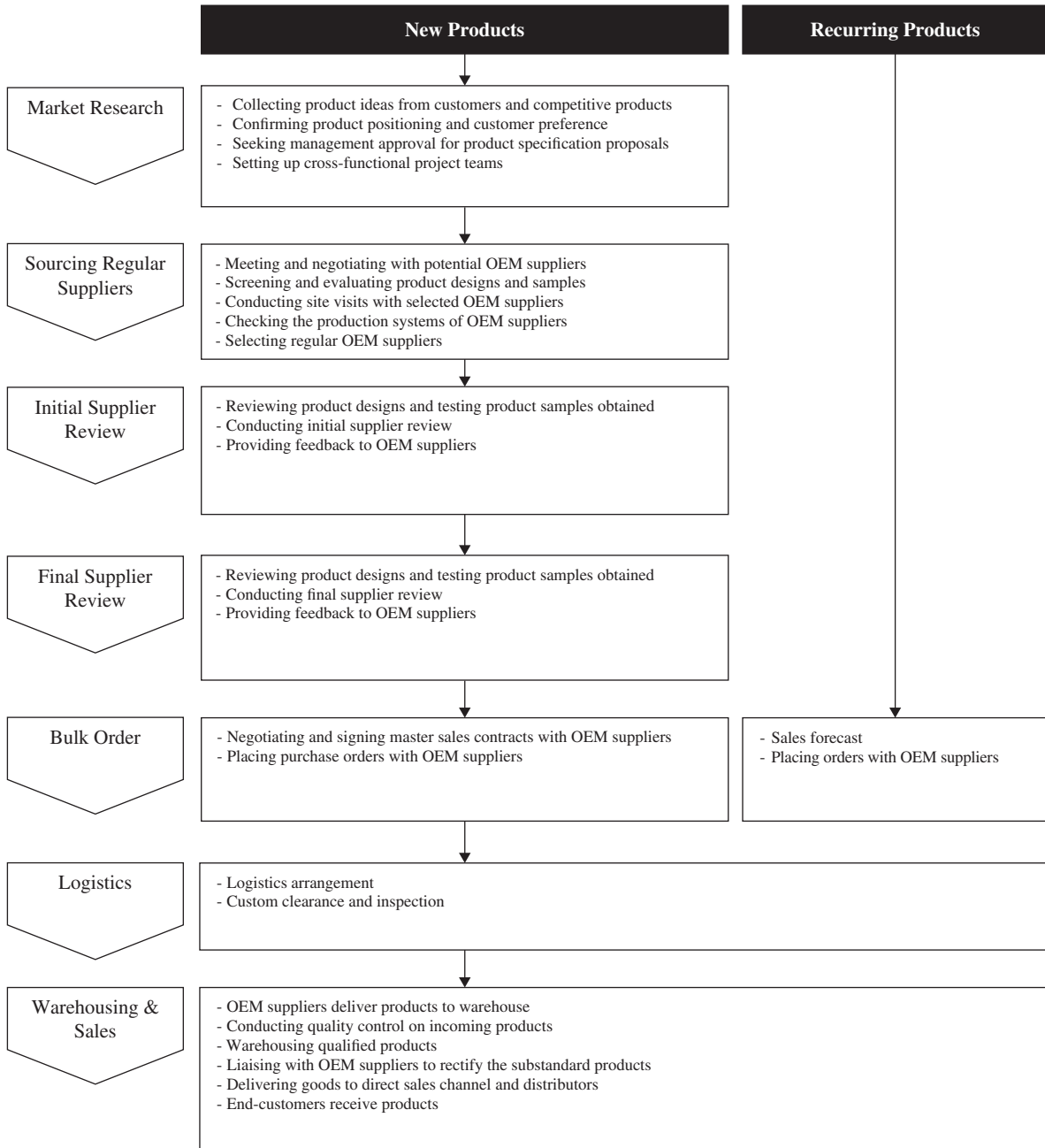
The operation flow of our Hobs and Stoves typically involves the following major steps:



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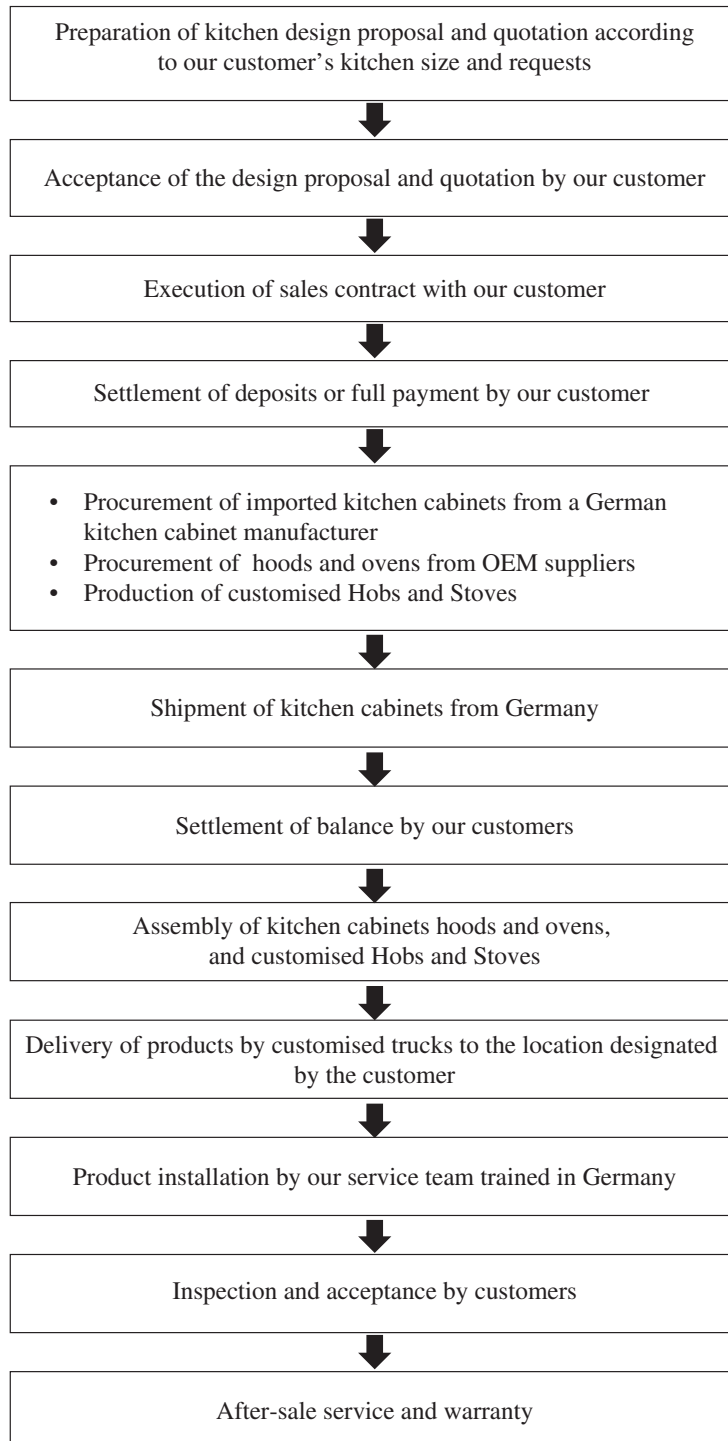
Sourcing of our pots and pans, hoods and ovens, small kitchen appliances, and radiant stoves from OEMs

The sourcing of our pots and pans, hoods and ovens, small kitchen appliances, and radiant stoves from OEMs typically involves the following major steps:



One-stop Kitchen Solution

Our Group has the ability to provide one-stop kitchen solution to our customers by marketing to them customised kitchen cabinet imported from Germany together with hoods and ovens sourced from our OEMs and customised Hobs and Stoves. Our Directors consider such sales package an important mean to realise our premium brand image and promote the use of our Hobs and Stoves. The followings are the major steps involved in a typical One-stop Kitchen Solution:



Utilising our distributors' and consignees' well-established retail network

We sell our products across the PRC through an extensive distribution and consignment network comprising distributors which operate online platforms, television platforms and physical location sales and consignments platform. We enter into distribution and consignment agreements with each of our distributors and consignees for sale of our products, covering 25 provinces, autonomous regions and municipality cities in the PRC. This arrangement enables us to market our products and brand to different regions of the PRC without the reliance on extensive logistics network covering different regions in the PRC at our own expenses and manpower, which enable us to focus on direct sales, research and development, manufacturing, and marketing of our products in Shanghai and Beijing region. We benefit from our distributors' and consignees' established retail networks and local intelligence by enhancing and expediting the market penetration of our products. We generally deliver our products after payment, for certain distributors, we grant credit terms ranging from 50 days to 365 days. For details about our distributorship and consignment, please refer to the paragraphs headed "Distributorship" and "Consignment", respectively in this section.

Product engineering and mass production

Before assembling our Hobs and Stoves with the parts sourced from different suppliers, we conduct extensive test on the parts received. We then fine-tune our designs and assembly plans accordingly to ensure our products are produced with the optional performance, functionality and durability, and that our Hobs and Stoves can be assembled efficiently and safely.

Prior to production, we have a quality control department to carry out testing to ensure that the parts supplied to us are up to standard and return the parts failing to meet our standards to our suppliers. The department examines the parts purchased from suppliers and our products in the Laboratory accredited by CNAS. During production, the department monitors the production process and ensures all the production parameters comply with ISO9001, CCC, CE, QB/T and GS standards. Should the department be aware of any parameters adversely affecting product quality, they will temporarily suspend operation of the production line to identify the causes and take remedial measures. Right after production, the department conducts sample tests on the finished products to ensure that the products have the quality, precision, consistency and appearance as designed and engineered. Should any defects be found on any product tested, they will be remedied immediately and the products belong to the same lot will be subject to close examination. For details on quality control and our quality control department, please refer to the paragraph headed "Quality Control" in this section.

BUSINESS

PRODUCTS

By revenue

We market four categories of products: (1) radiant Hobs and Stoves; (2) induction Hobs and Stoves; (3) pots and pans; and (4) other small kitchen appliances and kitchen cabinets. The revenue generated by the sale of our major types of products during the Track Record Period are illustrated as follows:

	For the year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Hobs and Stoves (Radiant)	203,436	93.9	198,196	86.9	202,890	79.4
Hobs and Stoves (Induction)	1,369	0.6	6,296	2.8	18,804	7.4
Pots and pans	4,720	2.2	8,879	3.9	20,079	7.9
Others (<i>Note</i>)	7,225	3.3	14,721	6.4	13,611	5.3
Total	<u>216,750</u>	<u>100.0</u>	<u>228,092</u>	<u>100.0</u>	<u>255,384</u>	<u>100.0</u>

Note: Include small kitchen appliances such as hoods, kettles, bakery ovens and kitchen cabinets.

Hobs and Stoves formed the main component of our revenue during the Track Record Period. Our Directors believe that Hobs and Stoves will remain as our major products with better growth than the other types of products, which are produced by OEMs and will continue to serve a complementary role.

BUSINESS

Sales volume and average selling price

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

	Year ended 31 December					
	2015		2016		2017	
	<i>Sales volume units</i>	<i>Average selling price RMB</i>	<i>Sales volume units</i>	<i>Average selling price RMB</i>	<i>Sales volume units</i>	<i>Average selling price RMB</i>
Hobs and Stoves (Radiant)	237,147	858	227,627	871	230,193	881
Hobs and Stoves (Induction)	467	2,931	2,140	2,942	6,340	2,966
Pots and pans	15,637	302	29,262	303	65,010	309
Others (<i>Note</i>)	31,241	231	62,775	235	56,541	241

Note: Include small kitchen appliances such as hoods, kettles, bakery ovens and kitchen cabinets.

As at the Latest Practicable Date, we sold over 50 types of Hobs and Stoves. The revenue generated by our key product series (Hobs and Stoves) during the Track Record Period are set out below:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Product series (<i>Note</i>)						
Miji IEE Series	49,101	22.7	50,757	22.3	60,531	23.7
Miji I Series	43,901	20.3	32,072	14.1	24,711	9.7
Miji iCOOK Series	12,423	5.7	17,667	7.7	21,389	8.4
Miji CTE Series	6,974	3.2	9,664	4.2	24,667	9.7
Miji Q Series	5,403	2.5	13,699	6.0	17,543	6.8
Total	117,802	54.4	123,859	54.3	148,841	58.3

Note: Please refer to the paragraph headed “Products – Our key products” in this section for more details.

BUSINESS

Our key products

We set out in the table below particulars of our key product series as at the Latest Practicable Date.



Product Series: *Miji IEE Series*
Product type: Portable radiant stove
Model number: Miji Gala IEE 1600 FI/IEE 1700 FI
Patent used: 201120518339.2 (utility model patent)
201020211905.0 (utility model patent)
201030686005.7 (industrial design patent)
Product model price range: RMB450 to RMB1,499



Product Series: *Miji I Series*
Product type: Portable radiant stove
Model number: Miji Gala I 1600W
Patent used: 201120518339.2 (utility model patent)
201030686164.7 (industrial design patent)
Product model price range: RMB450 to RMB2,199



Product Series: *Miji iCOOK Series*
Product type: Portable radiant stove
Model number: Miji Gala iCOOK 1900
Patent used: 201120518339.2 (utility model patent)
201420456008.4 (utility model patent)
201030685999.0 (industrial design patent)
Product model price range: RMB1,300 to RMB4,999



Product Series: *Miji CTE Series*
Product type: Radiant hob
Model number: Miji Gala CTE 3500 II-A
Patent used: 201020211905.0 (utility model patent)
201120518339.2 (utility model patent)
201420456008.4 (utility model patent)
201420456007.X (utility model patent)
201420455990.3 (utility model patent)
Product model price range: RMB3,500 to RMB9,999



Product Series: *Miji Q Series*
Product type: Portable radiant stove
Model number: Miji Gala Q 2000 FI
Patent used: 201120518339.2 (utility model patent)
201320449041.X (utility model patent)
201330352152.4 (industrial design patent)
Product model price range: RMB600 to RMB2,199

BUSINESS

Gross profit and gross profit margin

The following table sets forth the gross profit and gross profit margin by product categories for the periods indicated:

	Year ended 31 December					
	2015		2016		2017	
	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Hobs and Stoves (Radiant)	96,187	47.3	94,667	47.8	108,228	53.3
Hobs and Stoves (Induction)	672	49.1	3,104	49.3	10,186	54.2
Pots and pans	2,677	56.7	5,121	57.7	10,954	54.6
Others (<i>Note</i>)	<u>3,603</u>	49.9	<u>7,525</u>	51.1	<u>7,137</u>	52.4
Total	<u><u>103,139</u></u>	47.6	<u><u>110,417</u></u>	48.4	<u><u>136,505</u></u>	53.5

Note: Others include small kitchen appliances such as hoods, kettles, bakery ovens and kitchen cabinets.

Pricing policy

The direct sales and distribution sales prices of our products are determined by our sales and marketing department, considering (1) brand positioning; (2) competing products' price; (3) costs of production; (4) current demand and supply; (5) expected profit margin; (6) distribution channels; and (7) operation scale of our customers and their purchase quantities.

We generally sell our products to our distributors at prices fixed in distributorship agreements or our contractually binding instructions. We provide our distributors along with the distribution agreement a price list which specifies the prices for our distributors to sell our products to their retail customers; or our distributors may determine the retail prices but the prices cannot be lower than our predetermined minimum retail prices and are subject to our review and approval.

Seasonality

Our revenue during the Track Record Period had been subject to significant seasonal fluctuation, as the sales orders during the period from September to February are often higher than that during the period from March to August. As our products are generally consumer durables, every March to August is usually the off season due to consumers vacation habits. Every September to February is the peak season for Hobs and Stoves, as holiday season is usually the biggest shopping season. For domestic sales of Hobs and Stoves and kitchen accessories in the PRC, every September to February is the peak season for consumer durable sales, as weddings, new home furnishing and relocations mostly take place during these months. Our Directors believe that this pattern is likely to continue in the foreseeable future.

After-sale services and warranties

We offer different warranty periods for different product categories. We typically offer a warranty period of two to three years for our Hobs and Stoves.

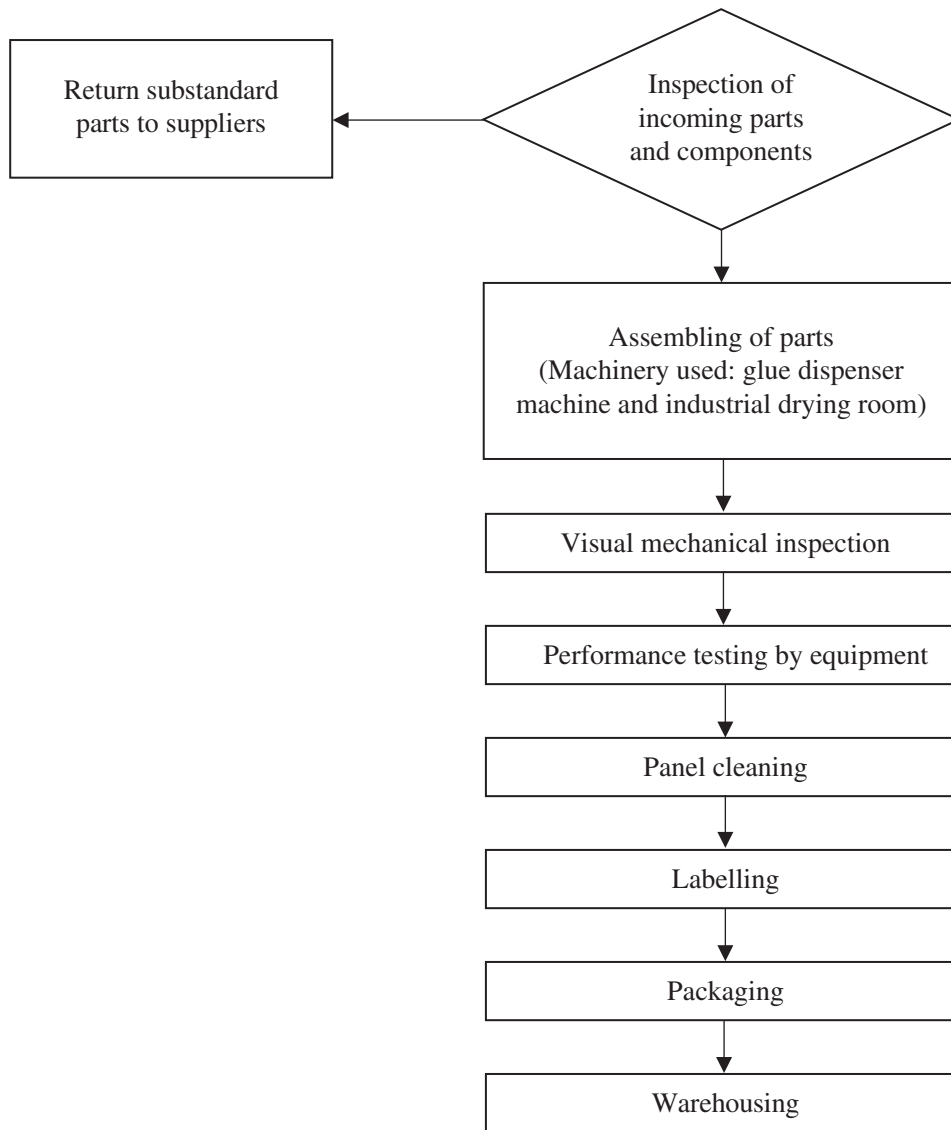
To better serve our customers and collect market information in a timely manner, it is our policy that all complaints, feedbacks and enquiries from our customers shall be handled and answered promptly upon receipt. Customers may contact us or our distributors for technical supports. During warranty period, we or our distributors do not send technicians to repair defective products but would arrange the defective units be returned to us or the selling distributor for an exchange of the same product, except if the defective products were located in Shanghai, then we or our distributors may send technicians to perform on-site repair or replacement. As advised by our PRC Legal Advisor, our product replacement and product repairment policy is in compliance with the Product Quality Law of the PRC (中華人民共和國產品質量法), and the Law on the Protection of Consumer Rights and Interests of the PRC (中華人民共和國消費者權益保護法). Please refer to the section headed “Regulatory Overview” in this prospectus for details of these laws and regulations.

As a result of our constant attention to quality control, during the Track Record Period and up to the Latest Practicable Date, we did not incur any significant expenses in relation to after-sale services and product warranty.

PRODUCTION

Production process of Hobs and Stoves

The following flowchart illustrates the typical production processes for our Hobs and Stoves products:



The assembly process and quality control of our Hobs and Stoves products primarily involve machineries such as glue dispenser, industrial drying room (for speeding up drying of glue by dehumidifying and heating up the room) and testing machinery (for conducting ground testing, high voltage testing, and power output testing). All these machineries are owned by our Group.

BUSINESS

We believe we have implemented an effective maintenance system for our production machinery. During the Track Record Period, we have not experienced any material interruption to our production due to problems with our production facilities.

Production facilities

During the Track Record Period, we principally carried out our production activities at Pujiang Factory, Jiading Factory and a production workshop in Germany. Pujiang Factory has a gross floor area of approximately 5,960 sq.m., which comprises 3,340 sq.m. of owned factory and 2,620 sq.m. of leased factory. The leased Jiading Factory has a gross floor area of approximately 2,900 sq.m. The leased production workshop in Germany has a gross floor area of approximately 220 sq.m..

With our production facilities, we are capable of meeting sales demand without significant financial difficulties or compromising our control over product quality.

During the Track Record Period and up to the Latest Practicable Date, our major production facilities have not been operating at its maximum capacities. This is to ensure our production schedule can meet the demand, enabling us to deliver the products to our distributors and ultimate customers timely.

Production capacity and utilisation rate

The following table sets forth the aggregate designated capacity, actual production volume and utilisation rates of our production facilities (including the Pujiang Factory, Jiading Factory and the Germany production workshop) for the Track Record Period:

	Year ended 31 December								
	2015			2016			2017		
	Designated capacity	Production volume	Utilisation rate	Designated capacity	Production volume	Utilisation rate	Designated capacity	Production volume	Utilisation rate
	<i>(Note 1)</i>		<i>(Note 2)</i>	<i>(Note 1)</i>		<i>(Note 2)</i>	<i>(Note 1)</i>		<i>(Note 2)</i>
	<i>(approximate unit)</i>	<i>(approximate unit)</i>		<i>(approximate unit)</i>	<i>(approximate unit)</i>		<i>(approximate unit)</i>	<i>(approximate unit)</i>	
Portable radiant stove	225,225	257,161	114%	225,225	252,755	112%	225,225	238,977	106%
Built-in radiant hob	37,800	1,321	3%	37,800	2,356	6%	37,800	6,829	18%
Portable induction stove	6,300	6,718	107%	6,300	5,251	83%	6,300	6,747	107%
Built-in induction hob	6,300	497	8%	6,300	457	7%	6,300	743	12%
Hybrid hob	6,300	240	4%	6,300	100	2%	6,300	251	4%

Notes:

- (1) Designated capacity is computed based on 252 effective production days per year and one shift of seven hours per day for the Track Record Period. For any utilisation rate exceeding 100%, it indicates that our Group has operated more than 252 effective production days and/or one shift per day in that financial year.
- (2) The utilisation rate is calculated by dividing the production volume by the designated capacity.

BUSINESS

Maximum production capacity of our Hob and Stove products stayed unchanged from 2015 to 2017. On the other hand, our production volume and utilisation rates depend on the sales demand for our products. To avoid excess or obsolete inventories, our sales department will prepare a sales forecast, taking into account our historical sales performance and estimated sales growth. The sales forecast will be sent to our production department for the formulation of a production plan, which determines the timing and quantities of products we should produce. As explained in the paragraph headed “Seasonality” in this section, the peak shopping season of our Hobs and Stoves spans from every September to February. Accordingly, our sales revenue, production volume and utilisation rates are generally higher in the period from September to February as compared with the period from March to August.

During the Track Record Period, the utilisation rates of our portable radiant stoves were approximately 114%, 112% and 106%, respectively, whereas our sales revenue of our radiant Hobs and Stoves was approximately RMB203.4 million, RMB198.2 million and RMB202.9 million, respectively. Our utilisation rates during the Track Record Period remained relatively stable as compared with our sales. For more details on our product seasonality, please refer to the paragraphs headed “Seasonality” in this section and “Financial Information – Seasonality factor” in this prospectus.

Production plan

To ensure that our production could meet market demands, our procurement department works closely with the sales and marketing department to conduct production rolling forecast for upcoming three-month periods.

To maintain the required inventory level for production, our procurement department will check our inventory level and forecast the required product mix and manufacturing capacity to satisfy customers’ needs for the next quarter. We will also consider the sales records of the same period in the preceding year and last quarter to project the sales forecast. We will, then, place orders for parts and components from suppliers and thereafter in accordance with the production schedule. Our procurement department will closely monitor the production progress to ensure that the production schedule is strictly followed.

Sourcing of parts and components for production of our Hobs and Stoves

We source the parts and components for production from reliable suppliers, which are selected by us very carefully, taking into account their product price, product quality, production capacity, financial conditions, delivery schedule, business scale and reputation.

As we have formed a strategic alliance with EGO and SCHOTT, we source the required parts of our Hobs and Stoves from them with a credit term of not exceeding 60 days. Such payment and sourcing arrangement allows us with more flexibility on cash flow.

Our typical sourcing processes of parts and components of our Hobs and Stoves include the following stages: (i) our sales and marketing department submits weekly sales plan for the next

BUSINESS

three weeks to our procurement department; (ii) our procurement department compiles a product demand forecast based on the sales plan and inventory level in our warehouses; (iii) our production department submits parts and components request form to our procurement department based on the product demand forecast; (iv) our procurement department generates purchase orders to finance department for review and approval; and (v) our procurement department sends the approved purchase orders to our supplier.

We procure the following parts and components in our assembly for each of our Hobs and Stoves products:

- electronic elements and controls used in both radiant and induction stoves
- ceramic glass panels
- casing
- bottom plates
- handles

Our alliance with the long-term suppliers are one of the key factors of our success, enabling us to source reliable and premium parts for our products at reasonable prices, facilitating our design and development, engineering solutions, timely products, and quality control. For details of purchases from our top five suppliers during the Track Record Period, please refer to the paragraph headed “Our suppliers” in this section.

During the Track Record Period, we did not experience material fluctuations in the costs of our parts and components and OEM products. Please see the paragraph headed “Financial information – Significant factors affecting our financial condition and results of operations – Our ability to control the purchase costs of parts and components and OEM products” in this prospectus for the sensitivity analysis of our profit resulting from hypothetical fluctuation in cost of parts and components and OEM products.

For the Track Record Period, the costs of the abovementioned parts and components and OEM products were approximately RMB106.7 million, RMB109.7 million and RMB113.3 million, respectively, representing approximately 93.9%, 93.2% and 95.3% of our total cost of sales, respectively.

BUSINESS

Inventories

Our inventories comprise mainly of (i) parts and components; and (ii) finished goods and OEM products. Our level of inventories as at the dates indicated is as follows:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Parts and components	9,422	7,109	7,961
Finished goods and OEM products	<u>47,177</u>	<u>28,473</u>	<u>36,998</u>
Total inventories	<u><u>56,599</u></u>	<u><u>35,582</u></u>	<u><u>44,959</u></u>

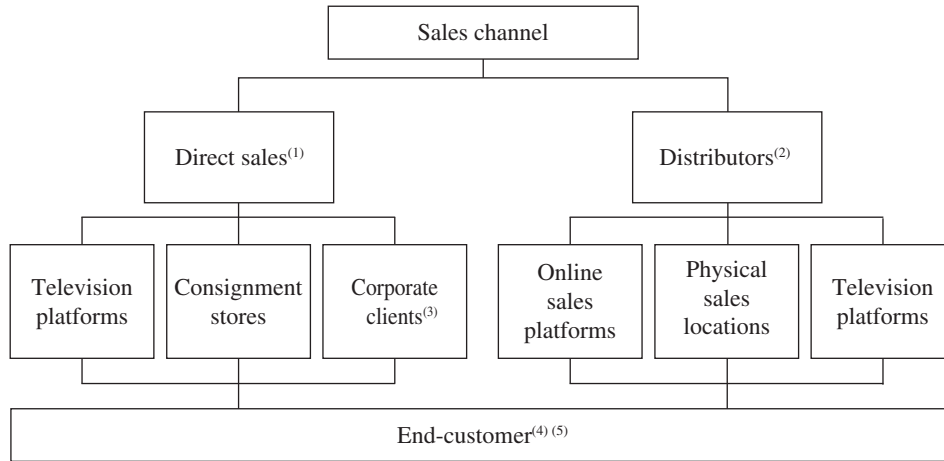
Based on our production plan, we procure sufficient parts and components for our production and maintain sufficient level of finished goods and OEM products to satisfy our customer demand. For details on the formulation of our production plan, please refer to the paragraph headed “Production – Production plan” in this section. Packaging material will only be ordered when needed.

We have implemented an enterprise resource planning system to record the quantity of each of the finished goods, parts and components and OEM product transferred in and out of our warehouse. Our Directors believe that with the assistance of our enterprise resource planning system, we can accurately keep track of our inventory balance.

SALES CHANNELS

Sales channels

Our sales channels in the PRC are illustrated as follows:



Notes:

- (1) We recognise the transactions as sales when we sell our products directly to end-customers through television platform, consignment stores and our corporate clients. We invoiced and billed relevant television platform operators and consignees of consignment stores directly when we have transactions with them.
- (2) We recognise the transactions as sales when we deliver our products to our distributors. Retail prices and sales discounts of our products to be marketed by distributors are determined by us.
- (3) Other direct sales channels under the category “Corporate clients” mainly include sales to real estate and hotel developers.
- (4) During the Track Record Period, Tianjin Haoshi, being one of our top five customers during the Track Record Period, engaged sub-distributors for distribution of our products. To the best knowledge of our Directors, none of the sub-distributors was connected to our Group.
- (5) During the Track Record Period, products sold under One-stop Kitchen Solution are only marketed through consignment stores of the direct sales channel.

BUSINESS

Our revenue generated through different sales channels during the Track Record Period are illustrated as follows:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Direct Sales						
Consignment stores	32,564	15.0	41,444	18.2	56,065	22.0
Corporate clients	6,569	3.0	13,639	6.0	36,979	14.5
Television platform	55,069	25.4	46,126	20.2	59,115	23.1
Subtotal	<u>94,202</u>	<u>43.4</u>	<u>101,209</u>	<u>44.4</u>	<u>152,159</u>	<u>59.6</u>
Distributors						
Online platform	50,386	23.2	54,709	24.0	71,765	28.1
Physical sales locations	13,696	6.3	19,370	8.5	23,809	9.3
Television platform	58,466	27.1	52,804	23.1	7,651	3.0
Subtotal	<u>122,548</u>	<u>56.6</u>	<u>126,883</u>	<u>55.6</u>	<u>103,225</u>	<u>40.4</u>
Total	<u>216,750</u>	<u>100.0</u>	<u>228,092</u>	<u>100.0</u>	<u>255,384</u>	<u>100.0</u>

The figures illustrated above are the net invoiced values of our goods sold, after allowances for returns, trade discounts and VAT.

BUSINESS

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

	Year ended 31 December					
	2015		2016		2017	
	Sales	Average	Sales	Average	Sales	Average
	volume	selling	volume	selling	volume	selling
	<i>units</i>	<i>RMB</i>	<i>units</i>	<i>RMB</i>	<i>units</i>	<i>RMB</i>
Direct Sales						
Consignment stores	37,792	862	47,628	870	64,227	873
Corporate clients	8,009	820	15,951	855	43,237	855
Television platform	54,190	1,016	53,217	867	87,037	679
Distributors						
Online platform	79,219	636	85,436	640	112,043	641
Physical sales locations	20,067	683	28,310	684	34,593	688
Television platform	85,215	686	91,262	579	16,947	451

Sales through distributors

We engage different distributors to market our products, reducing operational and administrative expenses while enjoying a nationwide sales and distribution network in the PRC. Our distributors typically sell through three channels, namely television platforms, online platforms and physical sales locations. We have a network of 68 physical sales locations operated by our distributors covering 17 provinces, autonomous regions and municipality cities in the PRC. During the Track Record Period, sales to our distributors accounted for approximately 56.6%, 55.6% and 40.4%, respectively, of our revenue. For more information on sales through our distributors, please refer to paragraph headed “Distributorship” in this section and for more information on the physical sales locations operated by our distributors, please refer to the paragraph headed “Coverage of our sales locations and television platforms” in this section.

Sales through direct sales

We do not delegate the duty to market our products and our brand completely to our distributors. We directly manage the direct sales channels that we consider strategically important and cost efficient. We value the importance of direct sales not only because it is a material source of our revenue source, but also because it is our major way to build our brand image by interacting, introducing and demonstrating the features of our products to our ultimate customers. In this regard, we have, as at the Latest Practicable Date, 91 salespersons trained and stationed at our consignment stores, where our Group not only conducts sales but also holds promotional events such as cooking competitions and demonstration sessions. Our salespersons

BUSINESS

are responsible for marketing our products to potential and existing customers and collecting feedbacks from them. During the Track Record Period, the revenue generated from our direct sales channels accounted for approximately 43.4%, 44.4%, and 59.6% of our total revenue respectively.

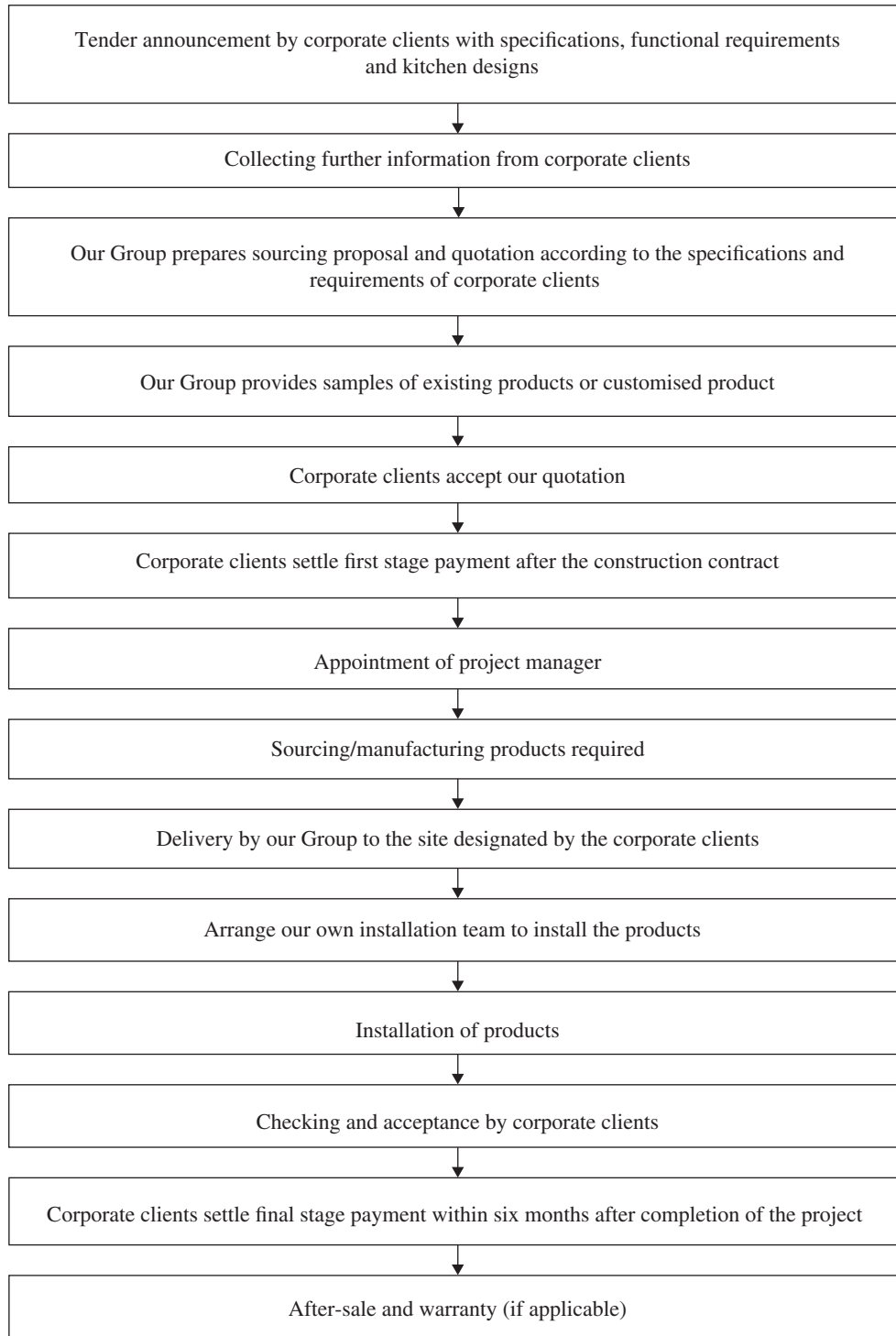
Direct sales made through television platforms: As at the Latest Practicable Date, we have direct engagement with four consignees operating television platforms. We, as consignor, recognise our revenue when the said consignees have delivered our products to the end-customers. During the Track Record Period, the aggregate sales generated from television platforms accounted for approximately 25.4%, 20.2%, and 23.1% of our total revenue of the same respective periods. For more information on the typical terms of the agreement with television platform operators, please refer to the paragraph headed “Coverage of our sales locations and television platforms – Consignment sales through television platforms” in this section.

Direct sales made through our consignment stores: As at the Latest Practicable Date, we have all together 64 consignees operating consignment stores in the PRC. We, as consignor, recognise our revenue when the consignees via their shopping malls and/or department stores sell our products to the ultimate individual customers. During the Track Record Period, the aggregate sales through our consignees operating consignment stores accounted for approximately 15.0%, 18.2% and 22.0% of our total revenue, respectively. For more details on sales made through our consignment stores, please refer to the paragraph headed “Consignment – Consignment stores” in this section.

Direct sales to corporate clients: Our corporate clients mainly comprise real estate and hotel developers, which purchase Hobs and Stove and other kitchen appliances from us for installation in hotel restaurant kitchens and domestic kitchens of serviced apartments and residential apartments. Cooperating with real estate developers and hotel developers, we managed to sell our products in lots. We consider such sales as good opportunity to market our brand and products to various end users. During the Track Record Period and up to the Latest Practicable Date, we have sold and/or installed Hobs and Stoves for 41 corporate clients. Among these projects, 10 of them are related to hotels; 11 of them are related to residential properties; and 20 of them are related to commercial premises, and the average duration of each sales project, from contract date to completion date, is 70 days. The average contract value of all sales project is as at the Latest Practicable Date approximately RMB1.2 million. We generally grant our corporate clients a credit term of six months.

BUSINESS

Our sale to corporate clients typically involves the following major steps:



BUSINESS

All our direct sales to corporate clients are handled by our designated teams. We recognise our sales when our products are sold to our corporate clients. In general, we offer our corporate clients a credit period of six months.

During the Track Record Period, the aggregate sales to our corporate clients accounted for approximately 3.0%, 6.0% and 14.5% of our total revenue respectively.

DISTRIBUTORSHIP

As at the Latest Practicable Date, we have all together 31 distributors for physical sales location in the PRC, 12 distributors for online platforms and one distributor for television platforms, which are all Independent Third Parties, save and except for Tianjin Haoshi. Amongst our distributors, two have overlapping sales channels, one operates through television platform and online platform and the other operates through online platform and physical sales location. We, as seller, recognise our revenue when significant risks and rewards of ownership of the goods are transferred to our distributors and the distributors have accepted the products and collectability of the related receivables is necessarily assured. Our Directors believe selling to/through distributors in less developed areas and platforms is a cost-effective way to market our products and brands to the customer base and geographic markets in which we have yet to establish a strong presence and have a large market share. During the Track Record Period, sales to our distributors accounted for approximately 56.6%, 55.6%, and 40.4%, respectively of our revenue, with sales to our largest distributor during the Track Record Period accounted for approximately 44.7%, 39.5%, and 15.1%, respectively, of our revenue.

As at the Latest Practicable Date, we have 68 physical sales locations operated by our 31 distributors covering 17 provinces, autonomous regions and municipality cities in the PRC. For the geographical coverage of physical sales locations operated by our distributors as at the Latest Practicable Date, please refer to the paragraph headed “Coverage of our physical sales location” in this section. As at the Latest Practicable Date, we have 12 distributors covering 18 online shops and one distributor covering five television platforms.

To avoid competition among our distributors or between us and our distributors, we and our distributors do not share the same distributing geographical areas, online platforms or television platform. Our distributors also differentiate by selling different combinations of products. In addition, we partner with distributors on different terms and conditions, with consideration of their respective history of development, sales volume, sales strategies, active locations, and credit worthiness.

BUSINESS

The following table sets forth the number of distributors (by physical sales locations, online platforms and television platforms, respectively) and the relevant movements during the Track Record Period:

	Year ended 31 December								
	2015			2016			2017		
	Physical sales locations	Online platforms	Television platforms	Physical sales locations	Online platforms	Television platforms	Physical sales locations	Online platforms	Television platforms
At the beginning of the year	33	7	1	30	11	1	30	11	1
Addition during the year	2	5	–	3	1	–	7	8	–
Termination during the year	5	1	–	3	1	–	5	5	–
At the end of the year	<u>30</u>	<u>11</u>	<u>1</u>	<u>30</u>	<u>11</u>	<u>1</u>	<u>32</u>	<u>14</u>	<u>1</u>

The decrease of the number of distributors engaged by us during the Track Record Period was caused by the termination or non-renewal of the distribution agreements concerned which was usually caused by the distributors' failure to meet the minimum sales amounts prescribed in the relevant distribution agreement.

Buy-back and return

Except upon termination of the distribution agreement, we have no contractual obligation to assist the distributors to dispose any of our products sold to them or to accept any return of products except for defective products. For details, please refer to the section headed "Regulatory Overview" in this prospectus. Save for the defective products, 7-days-after-sales products returned in accordance with PRC customer protection law and the two buy-backs and return with Zhongke Group in 2015 and 2016 respectively (details of which are disclosed below), our Directors confirm that we did not buy back or accept return of any products from the distributors. The values for the two aforementioned buy-backs in 2015 and 2016 amounted to approximately RMB5.4 million and RMB2.9 million representing approximately 2.5% and 1.3% of our revenue for the years ended 31 December 2015 and 31 December 2016, respectively.

In October 2015, Zhongke Group proposed a buy-back and return to our Group. Although our Group is not contractually bound to agree to such proposal, it was considered to be in the best interest of our Group to buy-back and accept the return from Zhongke Group in order to preserve our relationship with them as they were our major customer at that time and had demonstrated an increasing ability to market our products when compared to their sales figures in 2014. Our Group therefore accepted Zhongke Group's return of our products, amounting to approximately RMB5.4 million and less than 6% of the sales amount attributed to Zhongke Group for the year ended 31 December 2015.

In October 2016, Zhongke Group requested another buy-back and return. In fact, after the abovementioned buy-back incidence with Zhongke Group in 2015, our Directors determined to reduce our Group's reliance on Zhongke Group to ensure sustainable development of our Group. So when Zhongke Group requested a buy-back and return of the value of approximately RMB2.9

BUSINESS

million in October 2016, our Directors counter-proposed that our Group would accept the return on the condition that Zhongke Group would surrender part of its distributorship of our products on television platform. Our Directors believe that such counter-proposal was made in the best interest of our Group as the surrendered television platform (“**Surrendered Platform**”) had been able to generate promising sales and being able to market our products on such platform directly without involving distributors could reduce our Group’s reliance on a small number of customers. The Zhongke Group accepted our counter-proposal. It was anticipated that the execution of such counter-proposal could take effect immediately before the peak season of sales. However, the commercial negotiation with Zhongke Group on the change in its distributorship and the buy-back of the products concerned took significantly more time than expected, resulting in a disruption on the sales generated from the Surrendered Platform from October 2016 to March 2017. The actual buy-back and return occurred in the abovementioned incidence amounted to approximately RMB1.6 million, representing approximately 1.8% of the sales amount attributed to Zhongke Group for the year ended 31 December 2016. In consideration that Zhongke Group has surrendered the distributorship of our products on the Surrendered Platform with effect from 1 January 2017, we concluded the aforementioned negotiation by entering into an inventory transfer agreement with Zhongke Group on 3 March 2017, where our Group agreed to buy back, and Zhongke Group agreed to return their remaining inventory on the Surrendered Platform at a value of approximately RMB1.6 million, and the payment for the buy-back will be offset by other purchases of Zhongke Group payable to us. All buy-back products, which, to the best of the Directors’ knowledge, were the unsold goods of Zhongke Group, were eventually sold to other distributors after the buy-back, and accordingly no provision for these products had been made.

As a result of the Surrendered Platform, the Group had reallocated its internal management resources for direct sales through Hui Mai (the consignee operating the Surrendered Platform). As direct sales through Hui Mai was totally new to the management of the Group and the Group was of the view that it was of high importance to the Group to pick up the Surrendered Platform soonest, the Group has decided to concentrate the corporate and management resources for direct sales on the Surrendered Platform. Accordingly, the Group’s direct sales through television platform increased by approximately RMB13.0 million from approximately RMB46.1 million for the year ended 31 December 2016 to approximately RMB59.1 million for the year ended 31 December 2017. It is expected by the management of the Group that, following the Group’s new recruits for operation of direct sales through television platform in early 2018, the Group’s direct sales through television platform will further improve.

Our sales derived from distributor of television platform decreased by approximately 9.7% from approximately RMB58.5 million for the year ended 31 December 2015 to approximately RMB52.8 million for the year ended 31 December 2016, and further decreased by approximately 85.4% to approximately RMB7.7 million for the year ended 31 December 2017. Despite that, sales from our consignment stores, online platform and corporate clients recorded significant growth and fully offset the adverse impact arising from the reduction of reliance on Zhongke Group. Our overall revenue increased by approximately 5.2% from approximately RMB216.8

million for the year ended 31 December 2015 to approximately RMB228.1 million for the year ended 31 December 2016, and further increased by approximately 12.0% to approximately RMB255.4 million for the year ended 31 December 2017.

Control on distributors

We select our distributors carefully. Our criteria for selection of potential distributors include but not limited to their scale of operation, financial resources, market reputation, credit worthiness, management capabilities, compatibility to our brand positioning, location of retail stores and points of sale, pricing, target customers, market influence and competitiveness in local market. In particular, we carefully manage the potential competition among our distributors in order to prevent cannibalisation and ensure sustainable growth. We believe that the competition among our different levels of distributors is minimal as (i) we grant a specific geographical area or retail channel(s) to each distributor so that so that we can monitor the degree of competition in each distribution territory; and (ii) we designate specific online platforms for our distributors.

Although we do not own or have managerial control over our distributors, we manage their performance by issuing strict policies, pricing guidelines, demanding sale reports from them and, providing them with training sessions in relation to our product. To monitor the performance of our distributors, our internal management policy includes requiring our sales representatives to do random distributors-site-visits, monitoring the sales performance, pricing, quality of marketing activities of our distributors. We evaluate the sales performance of our distributors, as the distributors have contracted entitlement to incremental level of rebates based on their sales performance.

We also pay close attention to the inventory level of our distributors. In order to prevent channel stuffing or market cannibalisation, we put in place the general policy of not accepting return of unsold products except for termination of distributorship agreements and quality reasons and our distributors are contractually obliged to maintain sufficient inventory level to meet demand from our end-customers. We also require our distributors to provide sales report on a monthly basis to monitor their sales and inventory levels; and regularly visit our distributors and physical sales locations they cover to check the inventory levels. To ensure genuine market demand of our products, we, as a general policy, require cash on delivery for distributors. Our Directors believe that the above internal control measures allow us to effectively manage any inventory risk and/or detect any possible stuffing in the channels.

Our distributor agreements set out the minimum retail prices and suggested retail prices of our products sold by our distributors to our end-customers. All distributors are required to strictly follow our pricing policy pursuant to the terms of the distributor agreements entered into by us and our distributors. Our distributors may determine the retail prices but the prices cannot be lower than our predetermined minimum retail price and are subject to our review and approval. Any promotional or sales event to be organised by our distributors with a promotion price lower than our predetermined minimum retail price shall be approved by us in advance and our sales director will consider the scale and effect of the event and the promotion price of the

BUSINESS

same product previously offered to determine whether approval would be granted. We support our distributors and maintain the unified image of our brand by providing to our distributors with guidance on designs and decorations, such as colour scheme and design specifications, for all physical sales locations and online shops. These have successfully promoted our brand image and distinguished our physical sales locations and online shops amongst other competitors in the market. We also provide incentive to our distributors by providing sales rebates when the distributors achieve or exceed the minimum sales target prescribed in the distribution agreements. Such sales rebates are deducted from our revenue for each of the relevant periods. During the Track Record Period, the sales rebates given to our distributors are in the form of discount on products to be purchased in the future if the annual sales target is met. The discount is normally in the range of 3% to 12% of the wholesale price of the relevant products.

During the Track Record Period and up to the Latest Practicable Date, there is no material non-compliance with the terms and conditions of our distributorship agreements that were not rectified in a timely manner by the relevant distributors and nothing has caused us to believe that the increase of our revenue is due to the accumulation of inventories by the distributors. Please refer to the paragraph headed “Risk Factors – We have limited control over the operations of our distributors” in this prospectus for risks related to our limited control over the distributors.

Distributorship agreements

Our typical distributorship agreement in the PRC would have the following terms and conditions, which are legally binding (the purpose of incorporating each of such term and condition is also set out below for reference):

	Common Terms and Conditions	Purpose
Term of Contract	Fixed term of 1 year	Maintain flexibility
Territorial and platform exclusivity	Designated geographic areas or online sales platforms	Avoid cannibalisation; Market development
Product and brand exclusivity	Designated products and brands. No competing products or brands permissible	Avoid cannibalisation; Market development; Brand positioning
Risk transfer	<ul style="list-style-type: none">• Upon delivery of products to distributor• Our Group responsible for product liability claim	Market norm
Return policy	No return except for defective products	Reduce fluctuation in sales

BUSINESS

	Common Terms and Conditions	Purpose
Minimum sales target	Not less than RMB200,000 per year; Not less than designated monthly sales target	Market development
Commission/Sales Rebates	Ranging from approximately 3% to 12% of the wholesale price	Encourage distributors to focus on our products
Monthly report	Distributors to report monthly on sales figures, changes in location/point of sales	Monitor performance; Market development; Production forecast
Pricing policy	Fixed wholesale price for sale to distributors; Lowest retail price for sale by distributors	Avoid cannibalisation; Brand positioning; Market development
Payment and credit terms	Payment before delivery	Ensure cash flow; Avoid stocks
Trademark licence	Distributors are authorised by our Group to use our trademarks for distribution purposes only Distributors are prohibited from manufacturing or selling products infringing our intellectual property rights. Distributors are contractually obliged to inform us of any actual or potential infringement activities and assist us in enforcing our intellectual properties rights.	Brand positioning Prevent abuse of intellectual property rights by our distributors
Termination	Failing to meet 80% of the monthly minimum sales target for two consecutive months; Failing to meet annual sales target	Retain strong distributors
Renewal	Distributors has the priority to renew the distributorship agreement upon meeting the minimum sales target	Retain strong distributors

BUSINESS

Note: Save for the aforementioned buy-back incidents referred to in the paragraph headed “Distributorship – Buy-back and return” in this section, our Directors confirm that we did not buy back any products from the distributors due to slow sales or upon termination or non-renewal of the distribution agreements during the Track Record Period.

During the Track Record Period, none of our distributors nor our Group has materially breached any distributorship agreements.

Our Group has entered into an exclusive distributor agreement with a wholly-owned subsidiary of a Japanese company with over 100 years of history specialising in sales and marketing of cutlery, kitchen utensils, beauty care products, confectionery utensils, etc, for the distribution of our products through physical sales locations and online platforms in Hong Kong and Macau, effective on 1 June 2018.

The aforementioned exclusive distributor agreement would have the following terms and conditions, which are legally binding (the purpose of incorporating each of such term and condition is also set out below for reference):

	Common Terms and Conditions	Purpose
Term of contract	Fixed term from 1 June 2018 to 31 December 2019	Maintain flexibility
Territorial and platform exclusivity	Exclusive right of sale and distribution of our products in Hong Kong and Macau through physical sales locations and the online sales platform operated by the exclusive distributor	Avoid cannibalisation; Market development
Risk transfer	<ul style="list-style-type: none">• Free on board (FOB)• Our Group is responsible for product liability claim	Market norm
Return policy	<ul style="list-style-type: none">• No return except for defective products	Reduce fluctuation in sales
Minimum sales target	Yearly sales target to be mutually agreed by the parties Not less than designated yearly sales target	Market development

BUSINESS

	Common Terms and Conditions	Purpose
Minimum purchase amount	<ul style="list-style-type: none"> • The exclusive distributor needs to satisfy certain minimum purchase requirement • The minimum purchase amount for the third and fourth quarter of 2018 in aggregate is approximately HK\$465,770 and the total minimum purchase amount for the remaining term is to be mutually agreed by the parties 	Market development
Commission/Sales rebates	Ranging from approximately 3% to 5% of the wholesale price	Encourage distributors to focus on our products
Quarterly forecast	The exclusive distributor is required to submit quarterly rolling forecast to our Group from August 2018 onwards	Monitor performance; Market development; Production forecast
Pricing policy	<ul style="list-style-type: none"> • Fixed wholesale price for sale by our Group to the exclusive distributor • Lowest retail price set by our Group for sale by the exclusive distributor to end customers 	Avoid cannibalisation; Brand positioning; Market development
Payment and credit terms	Payment of purchase price on the last working day of the month	Ensure cash flow; Avoid stocks
Trademark licence	The exclusive distributor is authorised by our Group to use our trademarks for distribution purposes only	Brand positioning; Prevent abuse of intellectual property rights by our distributors
Termination	Failing to meet yearly sales target and minimum purchase amount	Retain strong distributors
Renewal	Subject to negotiation upon the expiry of the original fixed term	Retain strong distributors

BUSINESS

Relationship with our distributors

The relationship between our Group and our distributors are that of seller and buyer as we do not have any control over the actual business operation of our distributors, save for the contractual obligation. Except for product liability, all significant risks and rewards associated with these products are transferred to the distributors upon delivery and acceptance of products by them, after which we recognise our revenue.

In relation to television sales, we, as seller, and the distributor, as buyer, entered into a distributorship agreement, pursuant to which the distributor will sell our products through the television platforms agreed between us and the distributor.

To the best knowledge of our Directors, (i) it is the industry norm to sell our products through distribution channels; (ii) during the Track Record Period and up to the Latest Practicable Date, all of our distributors were Independent Third Parties, save for Tianjin Haoshi, which was a company held as to 30% by Madam Maeck during most of the Track Record Period until Madam Maeck disposed of her interest in Tianjin Haoshi to an Independent Third Party on 27 July 2017 and none of them was wholly-owned or majority controlled by our current or ex-employees; and (iii) none of our customers was our supplier during the Track Record Period.

Our Directors believe that our sales to Tianjin Haoshi, during the Track Record Period had been on normal commercial terms which were fair and reasonable to our Group and consistent with the terms offered to other distributors. For our relationship with Tianjin Haoshi, please refer to the paragraph headed “Our customers” in this section.

CONSIGNMENT

Consignment stores

As at the Latest Practicable Date, we have all together 64 consignees operating consignment stores in the PRC. To the best knowledge of our Directors, all such consignees are Independent Third Parties. We, as consignor, recognise our revenue when the consignees via their shopping malls and/or department stores sell our products to the ultimate individual customers. Our Directors believe selling our products through our consignees’ established network of consignment stores is an effective mean to market our brand and our products to target customers, which include middle to upper-middle class individuals in the PRC. During the Track Record Period, the aggregate sales through our consignees operating consignment stores amounted to approximately RMB32.6 million, RMB41.4 million, and RMB56.1 million, being approximately 15.0%, 18.2% and 22.0% of our total revenue respectively.

As at the Latest Practicable Date, we have 64 consignment stores locating in 15 different provinces, autonomous regions and/or municipality cities in the PRC. Out of the 64 consignment stores, two consignment stores have a term expiring on 31 July 2018. As at the Latest Practicable Date, we are under negotiation with the consignees and do not expect to encounter

BUSINESS

difficulties in relation to renewal of the relevant agreements with these two consignment stores. For the geographical coverage of our consignment stores as at Latest Practicable Date, please refer to the paragraph headed “Coverage of our physical sales location” in this section.

The following table sets forth the number of consignees and the relevant movements during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
At the beginning of the year	59	60	64
Addition during the year	8	13	12
Termination during the year (<i>Note</i>)	7	9	14
At the end of the year	60	64	62

Note: Termination with consignees engaged by us during the Track Record Period was due to (i) expiration of the relevant consignment agreements; (ii) relocation of the relevant consignment stores; or (iii) unsatisfactory performance of the relevant consignment stores.

Control on consignees

Our Group selects our consignees and the location of our consignment stores after our sales and marketing department has investigated and reported on the desired consignees and their shopping malls and consignment stores as to whether they are consistent with our brand image, target customers, and preferred terms and conditions.

Although we do not have managerial control over the consignee’s shopping malls or department stores, we are responsible for the design of our consignment stores and training and sending salespersons who conduct sales at our consignment stores in accordance with our consignment and pricing policies.

Consignees generally provide cashier services to our Group and accept payment from the end-customers of our consignment stores, by cash, credit cards and mobile payment. On a regular basis, after deduction of, among other agreed fees, consignment fees and management fees, each consignee will transfer the proceeds of sales of our consigned products to our designated bank accounts.

The consignees generally provide a monthly sales report in respect of the sales at our consignment stores. We reconcile the report with records maintained by our accounts department. We recognise monthly sales at our consignment stores up to the end of each month based on the month-end records of our accounts department and reconcile with the consignee’s corresponding monthly sales report which is generally available in the middle of the following month delivered by our consignees. Our sales and marketing department conducts site visits to review sales and performance of our sales staff on a regular basis. We also maintain frequent communication with our consignees and monitor the sales performance of our consignment stores, which allows us to receive market feedback from such sales channels.

BUSINESS

Consignment agreement for consignment stores

Our typical consignment agreement would have the following terms and conditions, which are legally binding (the purpose of incorporating each of such term and condition is also set out below for reference):

	Common Terms and Conditions (which are legally binding)	Purpose
Term of Contract	Fixed term ranging from 1 month to 2 years	Maintain flexibility
Gross floor area of consignment stores	Ranging from 16 sq.m to 106 sq.m	Serve as mere point of sale or showrooms
Risk transfer	Upon delivery to end-customer	N/A
Return policy	Consignee responsible for returning defective products; and all costs be deducted from the sale revenue of our products to be transferred to our Group	Lower managerial costs
Stock arrangement	Our Group responsible for all damaged, expired, returned and recalled products	N/A
Minimum sales target	Ranging from nil to RMB2,200,000 per year	N/A
Consignment fee	Ranging from approximately 12.5% to 31.5% of our sales revenue	N/A
Pricing policy	Prices are subject to the consignee's approval and in any event should not be lower than the prices fixed by our Group for other sales channels	Market development
Marketing arrangement	Consignee responsible for promotion and marketing; the promotion costs be borne by our Group	To motivate the consignee to promote our products

BUSINESS

	Common Terms and Conditions (which are legally binding)	Purpose
Credit terms	Ranges from 30 to 90 days after end of the month during which consignment products were sold	Ensure cash flow; Avoid bad debts
Payment method	Bank transfer	N/A
Sales support	Our Group training and sending salespersons and promoters to the consignment stores	To monitor sales and inventory level
Termination	Material breach by either party or in case of force majeure	N/A
Renewal	By mutual consent	N/A

Relationship with our consignees

Under the consignment agreements which were agreed based on arm's length negotiation, our consignees do not have the right to set the selling prices of the consignment products and do not bear any inventory risks associated with the consignment products sold or to be sold. As such, our relationship with our consignees is deemed as a principal-agent relationship. Our revenue is recognised only when the consignment goods are sold and delivered to the purchasers of our products in accordance with the relevant accounting standard. During the Track Record Period and up to the Latest Practicable Date, we believe that there are alternative consignees in the market at comparable rates readily available should we or our consignees decide to terminate the consignment agreements.

To the best knowledge of our Directors, all of our consignees were Independent Third Parties, and none of them was wholly-owned or majority controlled by our current or ex-employees during the Track Record Period and our consignees are primarily engaged in the business of operation of shopping mall and department stores in the PRC. During the Track Record Period, we did not provide financing to any of our consignees except for credit terms we granted to them under the relevant consignment agreements. During the Track Record Period, there were no material product returns from our consignees.

Consignment sales through television platforms

As at Latest Practicable Date, we have direct engagement with four consignees operating television platforms. We have entered into the consignment agreements with our four consignees for a term up to 16 May 2019, 8 February 2019 and 12 January 2019 and 31 December 2018, respectively. We, as consignor, recognise our revenue when the said consignees have delivered our products to the end-customers. Our Directors believe that selling via television platform is

BUSINESS

an effective means to market our products and increase our brand exposure to television-platform-specific target customers, which mainly comprise of housewives who do not have sufficient purchasing power to shop at our consignment stores for high-end products or seldom shop on the online platforms operated by our distributors. During the Track Record Period, the aggregate sales generated from television platforms were approximately RMB55.1 million, RMB46.1 million, and RMB59.1 million, respectively, accounted for approximately 25.4%, 20.2%, and 23.1% of our total revenue of the same respective periods.

We occasionally produce infomercials jointly with the consignees operating the television platforms. A typical operation flow is that the operators broadcast on their television sales channels the infomercials produced jointly with us or on their own to market our products. Certain viewers of the television channels will place their order by phoning the hotline and the consignees will take the viewers' orders, and ask for credit card payment from the viewers. Our products, which are stocked in the warehouse of the consignees, will be delivered to the end-customer after payment is received.

For monitoring and reconciliation of sales record, inventory balance and other information related to the sales through television platform, we request our consignees to grant us access to data including their inventory balance, product description, sales volume, unit selling price, total monetary amount of our Group's products sold by the consignees to the end customers, volume of inventory on hand, sales amount payable by the consignees to our Group and broadcast schedule of television infomercials stored on their supply chain management systems or provide us with monthly sales and inventory reports. Using these data, our Group can (i) monitor the sales performance of the consignees; (ii) understand the latest market demand on our products; (iii) prepare sales forecasts and production schedules; and (iv) maintain an optimal inventory level which can satisfy the market demand in a timely manner but without increasing the risk of inventory obsolescence. Our sales and marketing department and finance department will reconcile the aforesaid data with our Group's internal record on a monthly basis.

Our typical agreement with the consignees operating television platforms has the following terms and conditions, which are legally binding (the purpose incorporating of such terms and condition is also set out below for reference):

	Common Terms and Conditions (which are legally binding)	Purpose
Term of Contract	Fixed term of 1 year	Maintain flexibility
Exclusivity	Exclusive to designated television channel	Avoid cannibalisation
Risk transfer	Upon delivery to end-customers	Market norm

BUSINESS

	Common Terms and Conditions (which are legally binding)	Purpose
Return policy	Consignees responsible for accepting the sales return from end-customers for quality or legal reasons; and all costs will be deducted from the sale revenue of our products	Lower managerial costs
Stock arrangement	Our Group responsible for all damaged, expired and returned and recalled products	N/A
Minimum sales target	No minimum sales target	N/A
Handling fee	Ranging from approximately 30% to 37% of our sales revenue	N/A
Report	Consignees to report to our Group the sales performance and inventory level of our products	Optimise product mix and marketing strategy
Pricing policy	Price not lower than what our Group has designated for the same product on other channels	N/A
Credit terms	Ranging from 30 to 60 days after the issuance date of monthly invoices	Facilitate settlement
Payment method	Consignees charging the end-customer via credit card and then settling with our Group the net sales revenue via bank transfer	N/A
Termination	Material breach	N/A
Renewal	By mutual agreement	N/A

Under the legally binding agreements which were agreed based on arm's length negotiation, the pricing power of the consignees is limited and our Group bears all the inventory risk associated with our Products before they are delivered to the end-customers. As such, our relationship with the consignees operating television platform is deemed as a principal-agent relationship. Thus we only recognise our sales when the products stocked at the warehouse of the consignees are delivered to the end-customers.

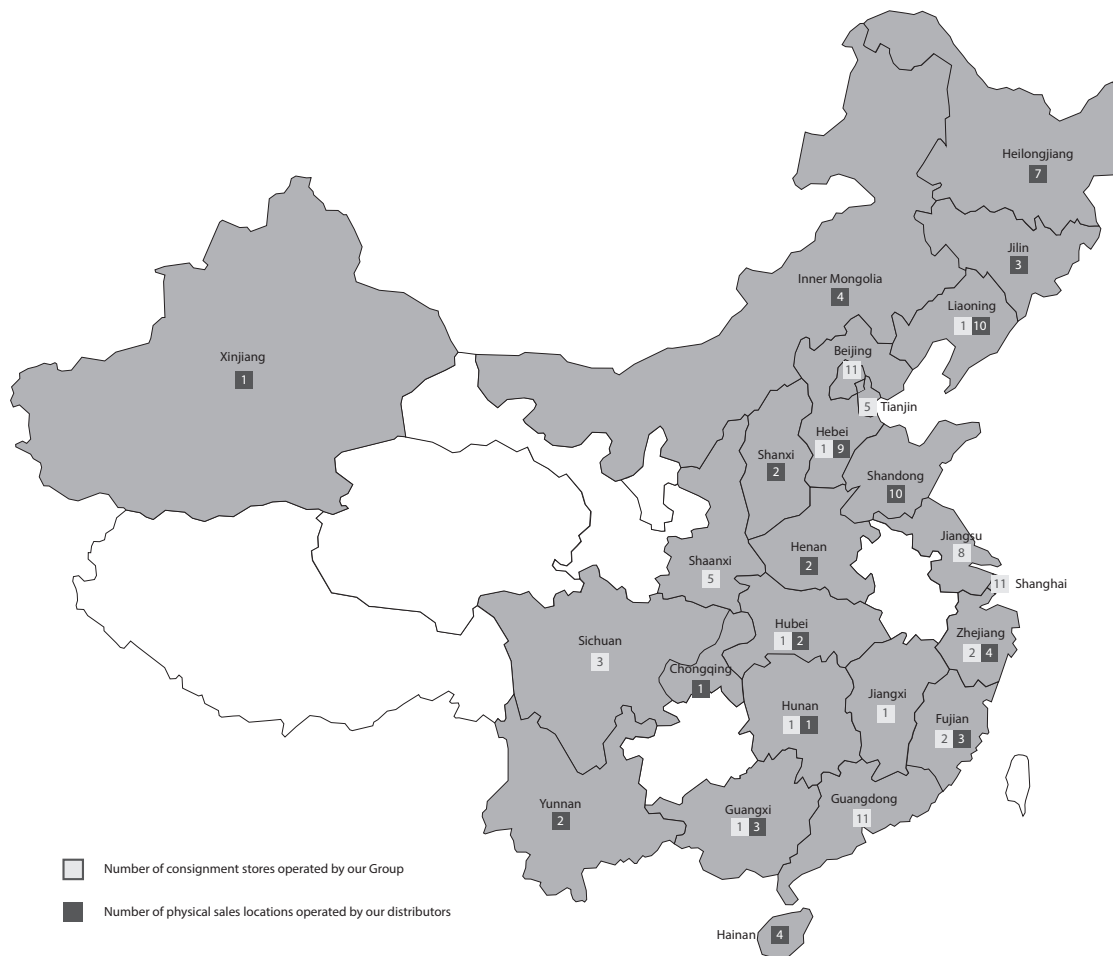
BUSINESS

To the best knowledge of our Directors, all of our consignees operating television platform were Independent Third Parties, and none of them was wholly-owned or majority controlled by our current or ex-employees during the Track Record Period and they are primarily engaged in the business of operating television shopping channels in the PRC. During the Track Record Period, we did not provide financing to any of such consignees except for the credit terms we granted to them under the relevant agreements, and we did not receive any material return from such consignees and the end-customers purchasing our products via such consignees.

COVERAGE OF OUR SALES LOCATIONS AND TELEVISION PLATFORMS

Consignment stores and physical sale locations

As at the Latest Practicable Date, we have established a sales network of 64 consignment stores generating direct sales revenue to our Group and 68 physical sales locations operated by our distributors in 48 cities across 25 provinces, municipalities, autonomous regions and special administrative regions in the PRC. The following map illustrates the geographical distribution of our points of sales in the PRC as at the Latest Practicable Date:



BUSINESS

Our Group has entered into an exclusive distributor agreement with a wholly-owned subsidiary of a Japanese company, to expand our distribution network through physical sales locations and online platforms in Hong Kong and Macau, effective on 1 June 2018. The exact physical sales locations to be set up in Hong Kong and Macau are subject to further negotiation and mutual agreement between our Group and the aforementioned exclusive distributor. For details of the exclusive distributor agreement, please refer to the paragraph headed “Distributorship agreements” in this section.

The following table sets forth the revenue generated from consignment sales and our sales to distributors marketing our products through physical sales location by different regions in the PRC during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	<i>% of Revenue (Note 1)</i>	<i>RMB'000</i>	<i>% of Revenue (Note 1)</i>	<i>RMB'000</i>	<i>% of Revenue (Note 1)</i>
Southern China <i>(Note 2)</i>	7,405	16.0	8,366	13.8	8,680	10.9
Eastern China <i>(Note 3)</i>	16,790	36.3	24,455	40.2	34,065	42.6
Southwest China <i>(Note 4)</i>	1,135	2.5	1,186	2.0	5,154	6.5
Northern China <i>(Note 5)</i>	18,045	39.0	23,735	39.0	30,305	37.9
Northwest China <i>(Note 6)</i>	2,885	6.2	3,072	5.0	1,670	2.1
Total	46,260	100.0	60,814	100.0	79,874	100.0

Notes:

- (1) Representing the respective percentage of each region to the total revenue generated from all physical sales points in the PRC
- (2) Southern China: Fujian, Hunan, Jiangxi, Hubei, Henan, Guangdong, Guangxi and Hainan
- (3) Eastern China: Shanghai, Jiangsu and Zhejiang
- (4) Southwest China: Sichuan, Yunnan and Chongqing
- (5) Northern China: Heilongjiang, Jilin, Liaoning, Beijing, Tianjin, Hebei, Shandong, Shanxi and Inner Mongolia
- (6) Northwest China: Shaanxi and Xinjiang

BUSINESS

Television platforms

The table below summarises the detailed particulars of the television platforms through which our consignees and distributor broadcast our infomercials during the Track Record Period:

Name of consignees	Name of television platforms	Periods of which our consignees place our infomercials with the relevant television platforms			Frequency of broadcasts (per television platform)	Broadcasting times	Length of broadcast	Local/national television platform	Geographical coverage	Number of viewers (millions) (Note 2)
		For the year ended 31 December								
		2015	2016	2017						
上海東方電視購物有限公司 (Shanghai Oriental Television Shopping Limited*) (“Oriental”)	東方購物 (Oriental Shopping*)	√	√	√	Around four times per month	Our infomercials are typically broadcast in the evening without being assigned any fixed time slot	Every broadcast lasts 40 minutes	Local	Shanghai City, Zhejiang Province, and Jiangsu Province	26.0
	百視通購物 (Bes TV*)	-	-	√	Same as above	Same as above	Same as above	National	All provinces, autonomous region and municipalities in PRC (except Xinjiang Uygur Autonomous Region and Tibet Autonomous Region)	25.0
Consignee A	宜和購物 (Eachome Shopping*)	-	-	√	Same as above	Same as above	Same as above	Local	Shenzhen City	37.0
北京惠買在線網絡科技有限公司 (Beijing Hui Mai Online Network Technology Limited*) (“Hui Mai”)	優購物 (UGO*) (Note 1)	-	-	√	Ranging from 10 to 30 times per month	Same as above	Every broadcast lasts 1 hour	National	All provinces, autonomous region and municipalities in PRC (except Xinjiang Uygur Autonomous Region and Tibet Autonomous Region)	22.0
	時尚購 (FASHIONGOU*)	-	-	√	Same as above	Same as above	Same as above	National	All provinces, autonomous region and municipalities in PRC (except Xinjiang Uygur Autonomous Region and Tibet Autonomous Region)	200.0
	河北三佳 (JIGO*)	-	-	√	Same as above	Same as above	Same as above	Local	Hebei Province	34.0

BUSINESS

Name of distributor	Name of television platform	Periods of which our distributor places our infomercials with the relevant television platforms			Frequency of broadcasts (per television platform)	Broadcasting times	Length of broadcast	Local/national television platform	Geographical coverage	Number of viewers (millions) (Note 3)
		For the year ended 31 December								
		2015	2016	2017						
Zhongke Group	優購物 (UGO*) (Note 1)	√	√	-	Ranging from 10 to 30 times per month	Our infomercials are typically broadcast in the evening without being assigned any fixed time slot	Every broadcast lasts 1 hour	National	National television platform: All provinces, autonomous region and municipalities in PRC (except Xinjiang Uygur Autonomous Region and Xizang Autonomous Region)	22.0
	Other television platforms (Note 2)	√	√	√	Ranging from three to 20 times per month	Same as above	Same as above	National and Local (Note 2)	National television platforms: All provinces, autonomous region and municipalities in PRC (except Xinjiang Uygur Autonomous Region and Xizang Autonomous Region) Local television platforms: Hebei Province, Zhejiang Province, Shaanxi Province, Dalian City and Tianjin City	Ranging from 2.0 to 200.0

Notes:

- Zhongke Group surrendered the distributorship of our products on Surrendered Platform on 1 January 2017 and our Group commenced direct sales through Hui Mai from March 2017. Since the Surrendered Platform, our Group relocated resources to managing direct sales through television platforms. Specifically, our Group decided to concentrate resources on the direct sales on the Surrendered Platform because it was important to our Group that Hui Mai (the consignee utilising the Surrendered Platform) picked up the Surrendered Platform and commenced sales as soon as possible. Our Group expects that, following our Group's new recruits in early 2018 for operation of direct sales through television platform, our Group's direct sales through television platform will further improve. Please refer to the paragraph headed "Buy-back and return" in this section for more details.

BUSINESS

2. Other television platforms included 11 television platforms (six national and five local) for each of the two years ended 31 December 2016 and six television platforms (four national and two local) for the year ended 31 December 2017.

For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017
央廣購物 (CNR Mall TV*)	央廣購物 (CNR Mall TV*)	央廣購物 (CNR Mall TV*)
環球購物 (Global Home Shopping*)	環球購物 (Global Home Shopping*)	環球購物 (Global Home Shopping*)
家有購物 (Jia You Home Shopping*)	家有購物 (Jia You Home Shopping*)	家有購物 (Jia You Home Shopping*)
南京好享購 (Nanjing Enjoy Shopping*)	南京好享購 (Nanjing Enjoy Shopping*)	南京好享購 (Nanjing Enjoy Shopping*)
浙江好易購 (Zhejiang Haoyigou*)	浙江好易購 (Zhejiang Haoyigou*)	浙江好易購 (Zhejiang Haoyigou*)
天津三佳購物 (Tianjin Sanjia Shopping*)	天津三佳購物 (Tianjin Sanjia Shopping*)	天津三佳購物 (Tianjin Sanjia Shopping*)
大連樂天購物 (Dalian Letian Shopping*)	大連樂天購物 (Dalian Letian Shopping*)	
河北三佳 (3JGO*)	河北三佳 (3JGO*)	
湖南快樂購 (Hunan Happigo*)	湖南快樂購 (Hunan Happigo*)	
安徽家家購物 (Anhui Jiajia Shopping*)	時尚購 (FASHIONGOU*)	
陝西樂家購物 (Shaanxi Lejia Shopping*)	陝西樂家購物 (Shaanxi Lejia Shopping*)	

3. The number of viewers are extracted from the market research data from the CIC Report.

BUSINESS

The table below sets out the sales volume, revenue contribution and sales price range related to the sales to our consignees and distributor of television platforms during the Track Record Period:

Name of consignees/ distributor	Name of television platform	Sales volume for the year ended 31 December			Revenue contribution to our Group for the year ended 31 December (RMB'000)			Sales price range for the year ended 31 December (RMB) (Note 4)		
		2015	2016	2017	2015	2016	2017	2015	2016	2017
		Oriental as consignee (Note 1)	東方購物 (Oriental Shopping*) 百視通購物 (Bes TV*)	53,466	53,217	19,193	54,467	46,712	20,027	84– 5,981
Consignee A	宜和購物 (Eachome Shopping*)	–	–	575	–	–	517	–	–	852– 1,110
Hui Mai as consignee	優購物 (UGO*) (Note 2)	–	–	65,358	–	–	36,611	–	–	84– 1,709
	時尚購 (FASHIONGOU*)	–	–	1,161	–	–	1,191	–	–	84– 1,709
	河北三佳 (3JGO*)	–	–	750	–	–	769	–	–	84– 1,709
Zhongke Group as distributor	優購物 (UGO*) (Note 2)	67,528	76,068	–	45,854	46,182	–	34– 855	17– 1,709	–
	Other television platforms (Note 3)	17,687	15,194	16,947	12,612	6,622	7,651	34– 855	17– 1,709	17– 1,282

Notes:

- These figures represent the total sales volume, revenue, or the price range (as the case may be) applicable to Oriental Shopping and Bes TV in aggregate. Bes TV is a digital television platform providing television programme service to customers who have purchased the digital decoder of Bes TV. The commercials and television sales programme produced by Oriental and aired on Oriental Shopping are also made available on Bes TV. Customers who would like to purchase our products after watching Oriental's commercials and/or television sales programme via the television platform operated by Oriental and/or Bes TV would directly contact sales representatives of Oriental. Thus all sales occurred in such way are booked under Oriental's accounts and Oriental and the Company do not distinguish sales that were facilitated by Bes TV from those that were facilitated by Oriental Shopping.

Our revenue from the sales to Oriental decreased by 57.2 % from RMB46.7 million for the year ended 31 December 2016 to RMB20.0 million for the year ended 31 December 2017. The decrease was mainly from the reallocation of more resources to (i) expand our direct sales through television platform consignees such as Hui Mai and Consignee A; and (ii) handle the transition arrangements with Zhongke Group in relation to its surrender of sales through the Surrendered Platform and Hui Mai in relation to the commencement of sales through the Surrendered Platform. Our Group has hired more sales and marketing personnel to work closely with Oriental to boost our sales revenue from this customer.

BUSINESS

2. Zhongke Group surrendered the distributorship of our products on the Surrendered Platform on 1 January 2017 and our Group commenced direct sales through Hui Mai from March 2017. Since the Surrendered Platform, our Group relocated resources to managing direct sales through television platforms. Specifically, our Group decided to concentrate resources on the direct sales on the Surrendered Platform because it was important to our Group that Hui Mai (the consignee utilising the Surrendered Platform) picked up the Surrendered Platform and commenced sales as soon as possible. Our Group expects that, following our Group's new recruits in early 2018 for operation of direct sales through television platform, our Group's direct sales through television platform will further improve. Please refer to the paragraph headed "Buy-back and return" in this section for more details.
3. Zhongke Group operated 11 television platforms for the years ended 31 December 2015 and 31 December 2016 and six television platforms for the year ended 31 December 2017. For details, please refer to the table set out on page 155 of this prospectus.
4. Sale price range covers the selling price of our radiant Hobs and Stoves, induction Hobs and Stoves, pots and pans and other kitchen appliances.

The increase in the number of television platforms utilised by our consignees and the decrease in the number of television platforms operated by our distributor for the year ended 31 December 2017 as compared to the year ended 31 December 2016 are mainly due to (i) the surrender of the television platforms by Zhongke Group to us, (ii) our strategy to increase our geographical presence through television platforms operated by us directly (namely, 3JGO and FASHIONGOU) and enhance our control over the television platforms rather than relying on our distributor, and (iii) the commercial decision not to renew those underperformed television platforms and television platforms with deteriorating performance (namely, Dalian Letian Shopping, Hunan Happigo and Shaanxi Lejia Shopping) after the expiry of their terms after discussion with the distributor. The aforesaid television platforms failed to achieve our expected performance because they did not broadcast the infomercials according to our expected timetable and the decrease in our sales to Zhongke Group reduced the quantities available for distribution to these television platforms.

Our infomercials are typically broadcast in the evening without being assigned any fixed time slot. Our sales and marketing department will discuss the scheduling arrangement with our consignees and distributor around two to three weeks prior to the broadcasting of our infomercials with a view of avoiding same airtime on different television platforms with overlapping geographical coverage. The length of our infomercials typically last for 40 minutes to one hour.

Our Group will review from time to time and come to a consensus with our consignees and distributor as to the television platforms used based on the sales performance.

MEASURES TO MITIGATE THE RISK OF CANNIBALISATION

While we are unable to prevent the potential end-customers from opting one distributor or one sales channel over another for personal, technological, geographical or economic reasons, we take active measures to manage the risk of intra-sales-channel and inter-sales-channel cannibalisation by designating to the distributors limited sales channels, segregated geographic locations and pricing strategies. Our Directors consider direct sales and sales via distributorship

BUSINESS

(please refer to the paragraph headed “Distributorship” in this section for more details) complement each other as the latter enables us to broaden the sales network by gaining access at limited administrative cost to different customers in different geographical locations and on different platforms.

Mitigation of the risk of cannibalisation among our Company, distributors and consignees

Although there are physical sales locations and consignment stores located in the same city or province, their locations are carefully chosen by our sales and marketing department to ensure the stores do not share the same regional market or the particular locations of the stores are sufficiently distant to reduce the risk and extent of cannibalisation. Our sales and marketing department regularly evaluates the sales performance of our consignment stores and the sales reports submitted by the distributors running the physical sales locations in proximity to such consignment stores. This is to assess whether the actual market demand of our products in the areas concerned is sufficient to support our direct and our distributors’ selling points, monitoring if there is any sign of cannibalisation.

As to the mitigating measures for television platforms, our sales and marketing department will request our consignees and distributor to provide the broadcasting schedules in advance. Our sales and marketing department will review the broadcasting schedules of all television platforms. In the event that there are overlapping geographical coverage between any television platforms with the same broadcasting time, our sales and marketing department will liaise and negotiate with the consignees and distributor to reschedule the broadcasting of infomercials to another date or time.

Mitigation of the risk of cannibalisation among distributors within the same sales channel

To mitigate the risk of potential competition and cannibalisation among distributors within the same sales channel, we have taken the following measures, which in our Directors’ opinions, are effective: (i) monitoring and restricting the number of distributors in any designated distribution area through the signing of distribution agreements with our distributors; (ii) monitoring the retail prices of our products offered by our distributors and disallowing our distributors to resell our products below our predetermined minimum retail price without our approval; (iii) keeping track of any potential competition among our distributors by frequent communications with our distributors and paying visits to them; and (iv) keeping track of the sales of our products by reviewing the sales reports obtained from our distributors.

On the other hand, for the distributors sharing online sales channel, special sales events are held on different websites at different time of the year with moderately different products mix in order to limit the direct competition between distributors being assigned with different online sales platforms.

Mitigation of the risk of cannibalisation among different sales channels

We sell our products via various sales channels. According to the CIC Report, this is a common practice for the market players to distribute their products. Our Directors consider that the sales of our products through different sales channels can cater customers with different spending behaviour and channel preference. For example, our Directors believe that while the younger generation may prefer to purchase our products online instead of physical stores, the physical stores may well complement the deficiency of online or television shopping experience by giving potential customers, especially the elder age group, a chance to physically examine and experience our products at the stores before purchasing them. Thus, our Directors believe that there is limited cannibalisation across different sales channel and instead, marketing through various channels can enhance our Group's customer portfolio and improve our Group's brand recognition and sales performance. Our sales and marketing department regularly reviews that sales performance of each sales channel to assess the actual market demand and customer spending behaviour in order to minimise the potential cannibalisation across different sales channels.

Our Directors believe that the above measures, together with our control on distributors (please refer to the paragraph headed "Distributorship – Control on distributors" in this section for detail) and in particular our requirement for most of our distributors to pay us before delivery and our no-return-or-exchange-unless-defective policy for our distributors, facilitate sales reflecting genuine market demand of our products and avoid the risk of inventory accumulation by our distributors and cannibalisation between our Company and distributors or among distributors within the same sales channel and among different sales channels. During the Track Record Period, our Directors were not aware of any material accumulation of our products by us or by our distributors leading them to cast any doubt on the sustainability of the business of our Company because of potential cannibalisation.

Potential acquisition, franchise, and strategic alliance

We recognise that it may be beneficial to us if we can acquire a well-developed distributor with existing sales network. We also recognise that a franchising business model may promote our brand and products. Yet, we will not risk losing our control over quality of our product and image of our brand for a mere increase in revenue. We would carefully examine each potential acquisition and franchising opportunity on its merit given our existing business model and managerial resources. While as at the Latest Practicable Date we have not identified any suitable target to acquire or developed a franchising business model, we do not exclude the possibility of acquisitions or forming a strategic alliance with new distributors and retail networks.

BUSINESS

OUR CUSTOMERS

The tables below set out the details of our top five customers for the Track Record Period:

For the year ended 31 December 2015:

Name of customers	Sales channel	Type of products sold by our Group	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term allowed to our Group's customers	Payment method	Sales amount (RMB'000)	Percentage of our Group's total turnover
Zhongke Group (Note 1)	Online sales platforms and television platforms	Hobs and Stoves	4	Payment before delivery	Bank transfer	96,790	44.7%
Oriental (Note 2)	Television platforms	Hobs and Stoves	11	Payment within 30 days	Bank transfer	54,467	25.1%
浙江速網電子商務有限公司 (Zhejiang Suwang E-commerce Limited*) ("Suwang") (Note 3)	Online sales platforms	Hobs and Stoves	4	Payment before delivery (Note 5)	Bank transfer	9,806	4.5%
Customer A (Note 4)	Corporate clients	Hobs and Stoves	4	Payment before delivery (Note 5)	Bank transfer	2,667	1.2%
青島爵琦商貿有限公司 (Qingdao Jueqi Trading Company Limited) ("Jueqi") (Note 6)	Physical sales locations	Hobs and Stoves	13	Payment before delivery	Bank transfer	1,702	0.9%
Total:						165,432	76.4%

Notes:

- To the best knowledge of our Directors, Zhongke Beijing and Zhongke Tianjin are state-owned enterprises, which are principally engaged in, among others, sale and distribution of household appliances, daily necessities, machinery and equipment and electronic products and are distributors of our Group. Zhongke Beijing is a company established in December 2001 in the PRC with a registered capital of RMB92 million, and had total assets of approximately RMB816.4 million as at 31 December 2016. Zhongke Tianjin is a company established in December 2014 in the PRC with a registered capital of RMB75 million, and had total assets of approximately RMB625.9 million as at 31 December 2016. According to the website of Zhongke Group, Zhongke Group distributes household and kitchen products through 28 television platforms and 12 online platforms.
- To the best knowledge of our Directors, Oriental is a trading company established in February 2007 in the PRC with a registered capital of RMB3 million, which is principally engaged in, among others, sale and distribution of daily necessities, household appliances and telecommunication equipment and is a consignee of our Group. According to the National Enterprise Credit Information Publicity System, Oriental is wholly-owned by a joint venture between a company listed on the Shanghai Stock Exchange and a company listed on the KOSDAQ market of the Korea Exchange. Oriental had total assets of approximately RMB1,207.7 million as at 31 December 2016.

BUSINESS

3. To the best knowledge of our Directors, Suwang is a trading company established in August 2011 in the PRC with a registered capital of approximately RMB43.0 million, which is principally engaged in amongst others, sale and distribution of household appliances and daily necessities through online and offline channels and is a distributor of our Group. According to the website of Suwang, it provides one-stop e-commerce operation and consultancy service to international brands including 10 multinational groups and more than 25 international brands. Suwang had total assets of approximately RMB192.6 million as at 31 December 2016.
4. To the best knowledge of our Directors, Customer A is a trading company established in March 2009 in the PRC with a registered capital of RMB500,000, which is principally engaged in amongst others, selling hardware and electrical equipment and daily necessities and is a corporate client of our Group. Customer A had total assets of approximately RMB3.5 million as at 31 December 2016.
5. Save for large-scale promotional events which we may allow a longer credit period to the specified customers, we typically receive payments from customers before delivery.
6. To the best knowledge of our Directors, Jueqi is a trading company established in May 1999 in the PRC with a registered capital of RMB500,000, which is principally engaged in, among others, sale and distribution of kitchenware, kitchen appliances and equipment and is a distributor of our Group. Jueqi had total assets of approximately RMB4.4 million as at 31 December 2016.

For the year ended 31 December 2016:

Name of customers	Sales channel	Type of products sold by our Group	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term allowed to our Group's customers	Payment method	Sales amount (RMB'000)	Percentage of our Group's total turnover
Zhongke Group	Online sales platforms and television platforms	Hobs and Stoves	4	Payment before delivery	Bank transfer	90,045	39.5%
Oriental	Television platforms	Hobs and Stoves	11	Payment within 30 days	Bank transfer	46,712	20.5%
Suwang	Online sales platforms	Hobs and Stoves	4	Payment before delivery	Bank transfer	12,318	5.4%
Tianjin Haoshi (Note 7)	Physical sales locations	Hobs and Stoves	11	Payment before delivery	Bank transfer	3,184	1.4%
Customer C (Note 8)	Physical sales locations/ online sales platforms	Hobs and Stoves	3	Payment before delivery	Bank transfer	2,784	1.2%
Total:						155,043	68.0%

BUSINESS

Notes:

7. To the best knowledge of our Directors, Tianjin Haoshi is a trading company established in February 2006 in the PRC with a registered capital of RMB1 million which is principally engaged in, among others, sale and distribution of household appliances and kitchen appliances. Tianjin Haoshi was a company held as to 30% by Madam Maeck during the Track Record Period until Madam Maeck disposed her interest in Tianjin Haoshi to an Independent Third Party on 27 July 2017, and it has already ceased operation. Tianjin Haoshi had total assets of approximately RMB1.9 million as at 31 December 2016. For details of Tianjin Haoshi, please refer to the paragraph headed “History, Development and Group Structure – Reorganisation – Disposal of Tianjin Haoshi”.
8. To the best knowledge of our Directors, Customer C is a trading company established in March 2013 in the PRC with a registered capital of RMB10 million, which is principally engaged in, among others, sale and distribution of household appliances, daily necessities, electrical equipment and office equipment and is a distributor of our Group. Customer C had total assets of approximately RMB0.8 million as at 31 December 2016.

For the year ended 31 December 2017:

Name of customers	Sales channel	Type of products sold by our Group	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term allowed to our Group's customers	Payment method	Sales amount (RMB'000)	Percentage of our Group's total turnover
Hui Mai (Note 9)	Television platforms	Hobs and Stoves	1	Payment within 30 days	Bank transfer	38,571	15.1%
Zhongke Group	Online sales platforms and television platforms	Hobs and Stoves	4	Payment within 12 months	Bank transfer	34,954	13.7%
Oriental	Television platforms	Hobs and Stoves	11	Payment within 30 days	Bank transfer	20,027	7.8%
上海博道電子商務有限公司 (Shanghai Bodao Electronic Commerce Co. Ltd*) ("Bodao") (Note 10)	Online sales platforms	Hobs and Stoves	1	Payment before delivery	Bank transfer	15,899	6.2%
上海申航進出口有限公司 (Shanghai Shenhong Import & Export Co., Ltd*) ("Shenhong") (Note 11)	Online sales platforms	Hobs and Stoves	1	Payment within 30 days	Bank transfer	8,881	3.5%
Total:						118,332	46.3%

BUSINESS

Notes:

9. To the best knowledge of our Directors, Hui Mai is a trading company established in April 2010 in the PRC with a registered capital of RMB100 million, which is principally engaged in, among others, sale and distribution of office equipment, household appliances and furniture and is a consignee of our Group. According to the website of Hui Mai, Hui Mai operates six television shopping platforms. Hui Mai had a total assets of approximately RMB1,531.1 million as at 31 December 2016.
10. To the best knowledge of our Directors, Bodao is a trading company established in March 2010 in the PRC with a registered capital of RMB10 million, which is principally engaged in, among others, sale and distribution of electronic appliances and household appliances and is a distributor of our Group. According to the National Enterprise Credit Information Publicity System, Bodao is wholly-owned by a company listed on the Nasdaq Stock Market. Bodao had total assets of approximately RMB344.4 million as at 31 December 2016.
11. To the best knowledge of our Directors, Shenhong is a state-owned enterprise established in November 1993 in the PRC with a registered capital of RMB30 million, which is principally engaged in, among others, sale and distribution of electrical appliances and property management and is a distributor of our Group. Shenhong had total assets of approximately RMB1,884.1 million as at 31 December 2016. Shenhong and 上海航天有線電廠有限公司 (Shanghai Hang Tian You Xian Power Plant Limited*) (“**Hang Tian**”) (a state-owned enterprise and one of our top five suppliers for the year ended 31 December 2017) are owned by the same shareholder. To the best knowledge of our Directors, Shenhong and Hang Tian are under different management. Our Directors also confirmed that (i) negotiations of the terms of our sales to Shenhong as well as our purchases from Hang Tian were conducted on a distinctive contract basis and the sales and purchases were neither interconnected nor inter-conditional with each other; and (ii) the terms and the pricing policies of transactions with Shenhong and Hang Tian are in line with the market and similar to those transactions with our other customers and suppliers.

To the best of our Directors’ knowledge, during the Track Record Period and up to the Latest Practicable Date, our customers were Independent Third Parties, save for Tianjin Haoshi. Tianjin Haoshi was a company held as to 30% by Madam Maeck during the Track Record Period until Madam Maeck disposed her interest in Tianjin Haoshi to an Independent Third Party on 27 July 2017. Our sale to Tianjin Haoshi accounted for approximately 0.4%, 1.4%, and nil, of our revenue during the Track Record Period, respectively.

Save as disclosed above, none of our Directors, our chief executive or any person who, to the best knowledge and information of our Directors, owned more than 5% of the issued share capital of our Company, any of our Company’s subsidiaries, or any of our Company or subsidiaries’ close associates, had any interest in any of any of our top five customers during the Track Record Period.

Significant change in major customers for the year ended 31 December 2017

Hui Mai, one of our consignees operating television platforms, became the largest customer of our Group for the year ended 31 December 2017. Our Group previously engaged Zhongke Group as a distributor to sell our products via television platforms operated by Hui Mai. Having considered that a television platform operated by Hui Mai had been able to generate promising sales and contributed to a significant portion of the sales amount attributed to Zhongke Group, we engage Hui Mai directly as a consignee of our products after the partial surrender of distributorship by Zhongke Group with effect from 1 January 2017. Please refer to the paragraphs headed “Our customers – Relationship with Zhongke Group and other distributors”

BUSINESS

and “Distributorship – Buy-back and return” in this section for details. Therefore, there is a decrease in the sales amount attributed to Zhongke Group due to the partial surrender of distributorship by Zhongke Group and an increase in the sales amount attributed to Hui Mai for the year ended 31 December 2017.

Bodao, as our distributor operating online store, was the fourth largest customer of our Group for the year ended 31 December 2017. Suwang was our third largest customers for the years ended 31 December 2015 and 31 December 2016. We commenced engaging Bodao in April 2017 to replace Suwang as our distributor to sell our products through an online shop after the end of our cooperation with Suwang. Therefore, there is a decrease in the sales amount attributed to Suwang and an increase in the sales amount attributed to Bodao for the year ended 31 December 2017. According to the annual report of Bodao’s shareholder, Bodao is a leading e-commerce service provider in the PRC, with a market share of approximately 25% in terms of transaction value in 2016. It provided e-commerce solutions to 152 brand partners as at 31 December 2017. These brands encompass diverse categories, including apparel, appliances, electronics, home and furnishings, food and health products, cosmetics, fast moving consumer goods, insurance and automobiles.

Tianjin Haoshi, one of our distributors operating physical sales locations, was the fourth largest customer of our Group for the year ended 31 December 2016. Since Tianjin Haoshi has ceased operation in 2017, there were no sales to Tianjin Haoshi from our Group for the year ended 31 December 2017. For details of Tianjin Haoshi, please refer to the paragraph headed “History, Development and Group Structure – Reorganisation – Disposal of Tianjin Haoshi”.

Customer C, one of our distributors operating online store, was the fifth largest customer of our Group for the year ended 31 December 2016. Customer C remained as a customer of our Group for the year ended 31 December 2017. Shenhong was the fifth largest customer of our Group for the year ended 31 December 2017. As the Company allocates more resources to expand our online sales channel, Shenhong is one of our new distributor operating online store. Being experienced in e-commerce, Shenhong recorded considerable sales amount through the online store operated by it for the year ended 31 December 2017.

Relationship with Zhongke Group and other distributors

Zhongke Group was one of our top five customers during the Track Record Period, accounting for approximately 44.7%, 39.5%, and 13.7% of our Group’s total revenue respectively. Zhongke Group comprised two state-owned limited companies with a total registered share capital of RMB167 million principally engaged in, among others, sales and distribution of household appliances, daily necessities, machinery and equipment, hardware and electrical equipment and electronic products. Our relatively significant sales amount with Zhongke Group during the Track Record Period was mainly attributable to our long, stable and profitable relationship with Zhongke Group since 2013 and the extensive distribution network and state-owned status of Zhongke Group, which complements our ability to market our products effectively nationwide in the PRC and assist our Group to achieve both revenue growth and brand promotion.

BUSINESS

While our sales' reliance on Zhongke Group peaked in the year ended 31 December 2015, our Directors are determined to reduce such reliance by enhancing our direct sales channels, especially our consignment sales and sales to corporate clients, and taking over part of the distributorship via television platform granted to Zhongke Group under our Group's direct control. Please refer to the paragraph headed "Buy-back and return" in this section for more details on this move. As a result of our Group's effort to reduce reliance, our turnover derived from Zhongke Group dropped from approximately 44.7% in the year ended 31 December 2015 to approximately 39.5% in the year ended 31 December 2016 and to approximately 13.7% in the year ended 31 December 2017. Our sales derived from distributor of television platform decreased by approximately 9.7% from approximately RMB58.5 million for the year ended 31 December 2015 to approximately RMB52.8 million for the year ended 31 December 2016, and further decreased by approximately 85.4% to approximately RMB7.7 million for the year ended 31 December 2017. Despite that, sales from our consignment stores, online platform and corporate clients recorded significant growth and fully offset the adverse impact arising from the reduction of reliance on Zhongke Group. Our overall revenue increased by approximately 5.2% from approximately RMB216.8 million for the year ended 31 December 2015 to approximately RMB228.1 million for the year ended 31 December 2016, and further increased by approximately 12.0% to approximately RMB255.4 million for the year ended 31 December 2017.

Our Directors believe that the decrease in revenue contribution from Zhongke Group to our total revenue during the year ended 31 December 2016 and 2017 has been successfully mitigated by our Group's years of experience in the industry, emphasis on the quality of our products, effort to increase our sales online and sales to corporate clients, and increasing control on our direct sales' television platforms.

While our Directors recognise the importance and value of our distributors to the development and success of our Group, most of our Group's distributorship contracts are of a term of one year. Such arrangement gives our Group the flexibility to reorganise and prioritise our sales channels in the future. According to the CIC Report, the PRC cooking stove market may experience a CAGR of approximately 6.9% for the period from 2018 to 2022 and the market of radiant stove, the category of products to which our main products belong, will achieve a CAGR of approximately 16.6% in the same period. Our Group and our business partners would work together and seize the opportunity to market our products to more customers. Our Directors, to the best of their knowledge, are not aware of any events or circumstances during the Track Record Period and up to the Latest Practicable Date which would lead to any significant obstacle in sourcing new customers.

BUSINESS

OUR SUPPLIERS

The tables below sets out the details of our top five suppliers for the Track Record Period:

For the year ended 31 December 2015:

Name of supplier	Type of products purchased by our Group	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered by our Group's suppliers	Payment method	Purchase amount (RMB'000)	Percentage of our Group's total purchase
EGO (Note 1)	Electronic components and control panels used in Hobs and Stoves	16	Payment within 60 days	Bank transfer	24,725	19.5%
Anmei (Note 2)	Pots and pans	3	Payment within 60 days	Bank transfer	22,143	17.5%
SCHOTT (Note 3)	Ceramic glass panels	16	Payment within 60 days	Bank transfer	19,106	15.1%
浙江尚厨炊具有限公司(Zhejiang Suntrue Cookware Limited*) ("Suntrue") (Note 4)	Pots and pans	3	Payment within 30 days	Bank transfer	9,784	7.7%
Supplier B (Note 5)	Casing	6	Payment within 60 days	Bank transfer	7,412	5.9%
Total:					<u>83,170</u>	<u>65.7%</u>

Notes:

- To the best knowledge of our Directors, EGO is a limited liability company established in November 2011 in the PRC with a registered capital of approximately USD49 million, which is principally engaged in, among others, the manufacturing of parts and components of electronic heating devices. EGO had total assets of approximately RMB426.9 million as at 31 December 2016.
- To the best knowledge of our Directors, Anmei is a limited liability company established in April 2001 in the PRC with a registered capital of approximately RMB5 million, which is principally engaged in, among others, the manufacturing of metallic parts and components. Anmei had total assets of approximately RMB18.9 million as at 31 December 2016.

BUSINESS

3. To the best knowledge of our Directors, SCHOTT is a limited liability company established in May 2001 in the PRC with a registered capital of approximately RMB13.7 million, which is principally engaged in, among others, the manufacturing of ceramic glass. SCHOTT had total assets of approximately RMB249.9 million as at 31 December 2016.
4. To the best knowledge of our Directors, Suntrue is a limited liability company established in December 2014 in the PRC with a registered capital of approximately RMB5 million, which is principally engaged in, among others, the manufacturing of pressure stoves and stainless steel products. Suntrue had total assets of approximately RMB141.2 million as at 31 December 2016.
5. To the best knowledge of our Directors, Supplier B is a limited liability company established in January 2004 in the PRC with a registered capital of approximately RMB1 million, which is principally engaged in, among others, the manufacturing of die casting mold. Supplier B had total assets of approximately RMB15.2 million as at 31 December 2015.

For the year ended 31 December 2016:

Name of supplier	Type of products purchased by our Group	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered by our Group's suppliers	Payment method	Purchase amount (RMB'000)	Percentage of our Group's total purchase
EGO	Electronic components and control panels used in Hobs and Stoves	16	Payment within 60 days	Bank transfer	18,486	21.1%
SCHOTT	Ceramic glass panels	16	Payment within 60 days	Bank transfer	14,797	16.9%
Anmei	Pots and pans	3	Payment within 60 days	Bank transfer	11,539	13.2%
Suntrue	Pots and pans	3	Payment within 30 days	Bank transfer	9,015	10.3%
Supplier B	Casing	6	Payment within 60 days	Bank transfer	4,556	5.2%
Total:					<u>58,393</u>	<u>66.7%</u>

BUSINESS

For the year ended 31 December 2017:

Name of supplier	Type of products purchased by our Group	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered by our Group's suppliers	Payment method	Purchase amount (RMB'000)	Percentage of our Group's total purchase
Anmei	Pots and pans	3	Payment within 60 days	Bank transfer	18,337	13.9%
浙江嘉科信息科技有限公司 (Zhejiang Jiako Information Technology Limited*) ("Jiako") (Note 6)	Radiant stoves	1	Payment within 90 days	Bank transfer	18,006	13.6%
EGO	Electronic components and control panels used in Hobs and Stoves	16	Payment within 60 days	Bank transfer	13,896	10.5%
SCHOTT	Ceramic glass panels	16	Payment within 60 days	Bank transfer	13,001	9.9%
Hang Tian (Note 7)	Radiant stoves	1	Payment within 60 days	Bank transfer	12,329	9.3%
Total:					<u>75,569</u>	<u>57.3%</u>

Notes:

6. To the best knowledge of our Directors, Jiako is a state-owned enterprise established in November 2003 in the PRC with a registered capital of approximately RMB30 million, which is principally engaged in, among others, software and information technology development, engineering and technological research and development, and manufacturing and sales of electronic products, appliances and mechanical equipment. Jiako had total assets of approximately RMB52.5 million as at 31 December 2016.
7. To the best knowledge of our Directors, Hang Tian is a state-owned enterprise established in May 1995 in the PRC with a registered capital of approximately RMB120 million, which is principally engaged in, among others, manufacturing, processing and sales of radar, navigation devices, communication devices, autospare parts, electronic components and devices and appliances. Hang Tian had total assets of approximately RMB931.1 million as at 31 December 2016.

BUSINESS

EGO and SCHOTT were our top five suppliers throughout the Track Record Period and our largest suppliers for the two years ended 31 December 2016. EGO group is the leading supplier of parts and components of electric heating devices, among others heat-generating components and control panels and SCHOTT group is the leading supplier of ceramic glass-tops being used for electric hobs and stoves. The two groups are the leading suppliers in the industry in terms of quantity and quality, manufacturing at a large scale and selling quality parts and components at a very competitive price which can hardly be provided by other suppliers. EGO and SCHOTT are the PRC subsidiaries of the two groups respectively and have been our major suppliers for over 16 years. Nothing has come to our Directors' attention that they will risk their market share and leading position in the PRC by substantially increasing the price. We therefore have limited concern about our continual reliance on EGO and SCHOTT especially when the market of our products is still growing.

Our Group maintained a stable revenue growth over the past few years, driven by rising disposable income of PRC consumers and the increasing demand on premium kitchenware. Our Directors believe that the demand on premium radiant stove will continue to grow in the future. As well as the increasing customer demand for our products, the utilisation rate of our production of radiant stoves has been above 100% during the Track Record Period. Therefore, to meet the anticipated sales increment, we commenced engaging two new suppliers in 2017, namely Jiake and Hang Tian, to produce radiant Hobs and Stoves according to our design and product requirements. Before engaging these two suppliers, we have carefully performed our supplier assessment procedures and considered their product management, product price, product quality, production capacity, financial conditions, delivery schedule and business scale.

Jiake is principally engaged in, among others, software and information technology development, engineering and technological research and development, and manufacturing and sales of electronic products, appliances and mechanical equipment. Hang Tian is principally engaged in, among others, manufacturing, processing and sales of radar, navigation devices, communication devices, autospare parts, electronic components and devices and appliances. According to the websites of Jiake and Hang Tian, both of them are state-owned enterprises and the shareholder of Jiake is one of the Fortune Global 500 companies.

BUSINESS

On 17 November 2013, we entered into a legally binding contract with EGO pursuant to which we agree to purchase and EGO agrees to supply electronic and heat-generating components and control panels used in Hobs and Stoves. The key terms of such contract are as follow:

Duration	:	2013 to 2018
Product and Price	:	In accordance with EGO's quotation and our purchase order
Minimum purchase commitment	:	In accordance with a 3-months rolling forecast prepared monthly by us and communicated to EGO on the type, quantity and delivery time of each of the products needed
Quality assurance	:	EGO is obliged to supply products in accordance with our design, specification and rolling forecast
Warranty period	:	From one year to two years
Renewal	:	Nil
Termination	:	With six months prior written notice, or at any time with cause

As to our purchase from SCHOTT, we do not enter into legally binding master supply contract with SCHOTT. SCHOTT from time to time would send to us their product list and quotation along with their standard terms and conditions. If we agree to the specification, quotation and their standard terms and conditions, we would place our purchase order with SCHOTT and a legally binding contract would arise upon SCHOTT's acceptance of our purchase order. The key terms and conditions of our contractual relationship with SCHOTT are as follow:

Duration	:	One-off transaction per purchase order
Product and Price	:	In accordance with SCHOTT's product quotation and our purchase order
Minimum purchase commitment	:	Nil
Price adjustment provision	:	Each year we would enter into a rebate agreement with SCHOTT pursuant to which SCHOTT will pay to us 2.5% to 4.5% of the purchase price depending on the quantity of ceramic glass-tops we source from SCHOTT in the year
Warranty period	:	Claims on the basis of defects as to quality shall become statute-barred 12 months after delivery of the products to our Group

BUSINESS

As to suppliers other than EGO and SCHOTT, we would generally enter into a contract or several contracts with each of them with the following typical terms:

Duration	:	Effective from the date of execution of the contract(s)
Product and Price	:	Sales by sample in accordance with our purchase order
Delivery and risk transfer	:	Supplier is responsible for delivery and the risk only passes upon delivery
Warranty period	:	In accordance with PRC law
Credit term	:	60 days
Quality assurance	:	Supplier is obliged to supply products in accordance with our design, specification and purchase order

During the Track Record Period, we have not experienced any significant fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers, delay in delivery of our orders from our suppliers.

As advised by our PRC Legal Advisor, all of the aforesaid agreements are legally binding. During the Track Record Period, we had not breached any of the aforesaid agreements.

None of our Directors, our chief executive or any person who, to the best knowledge and information of our Directors, owned more than 5% of the issued share capital of the Company, any of our Company's subsidiaries, or any of our Company or subsidiaries' close associates, had any interest in any of our top five suppliers during the Track Record Period.

There was no past or present relationships between the Group's top five suppliers (including, but not limited to, employment, business, financing, or family relationship) and the Group, its directors, shareholders and senior management or their respective associate, save for Mr. Michel's work experience at EGO as disclosed in the paragraph headed "Directors, Senior Management and Employees – Directors – Executive Directors" in this prospectus.

Please see the paragraph headed "Financial information – Significant factors affecting our financial condition and results of operations – Cost of direct materials and direct labour cost" in this prospectus for a sensitivity analysis of our profit resulting from hypothetical fluctuation in cost of direct materials.

RESEARCH AND DEVELOPMENT

Our Directors strongly believe that investment in research and development is vital in providing our Company with a competitive edge in a highly competitive market. As such, we place great emphasis on our research and development strategies to keep us ahead of our competitors.

BUSINESS

As at the Latest Practicable Date, our Group's research and development department had 13 members (including four staff stationed in the laboratory accredited by CNAS) of whom most hold university graduate degree and three have professional qualifications in engineering. Among the members with university graduate degree, one of them had 15 years and another one of them had 20 years of experience in laboratory testing. The research and development department is headed by our research and development director, Mr. Fang Zongda who is an expert in industrial standard of electric stoves in the PRC and has been leading our research and development department for over seven years. For biographical details of Mr. Fang Zongda, please refer to the paragraph headed "Directors, Senior Management and Employees – Senior Management" in this prospectus.

During the Track Record Period and as at the Latest Practicable Date, we have conducted or in the process of conducting the following research and development projects:

- 上海張江國家自主創新示範區專項發展資金 (Shanghai Zhangjiang National Demonstration Zone for Autonomous Innovation Special Development Funds*) granted by 上海市張江高新技術產業開發區管理委員會 (Management Committee of Shanghai Zhangjiang Hi-tech Development Zone*) for the project of 米技電爐具智能化服務平臺建設 (Establishment of Smart Service Platform for Miji Electric Stoves*) for the term commencing from 1 January 2017 to 31 December 2018 for developing the smart phone service platform for our Hobs and Stoves products;
- funds for 《米技健康烹飪創新設計應用研究》項目 (Miji Healthy Cooking Innovative Design Application Research*) granted by 上海市文化創意產業扶持資金 (Shanghai Cultural and Creative Industry Subsidy Fund*) in 2014 for developing new techniques and materials for making cooking more enjoyable; and
- research funds granted jointly by 閔行區科學技術委員會 (Science and Technology Commission of Minhang District*) and 閔行區財政局 (the Finance Department of Minhang District*) under 閔行區科技小巨人培育企業項目 (Minhang District Technology Little Giant Enterprise Nurturing Programme*) in 2014 for the development of precise temperature control technology for our radiant stoves.

During the Track Record Period, research and development expenses of our Group amounted to approximately RMB9.7 million, RMB11.9 million and RMB11.7 million, respectively.

MARKET, PROMOTION AND BRAND POSITIONING

Exploring New Customer Base and Markets

The economic growth and westernisation of mainland China create a shift in consumer purchasing behavior towards higher-quality and more technologically advanced products. As kitchen appliances, especially stoves, are household necessities, our Hobs and Stoves have the potential to meet their demand in this regard.

BUSINESS




We plan to strengthen our penetration in some cities of the PRC such as Fuzhou, Guangzhou, Chengdu, Xi'an and Zhuhai; and expand our markets in Hong Kong and Macau.

We are committed to increase our customer base, especially middle to upper-middle class customers, by marketing our products through different channels. We have an expanding retail network in department stores and shopping malls to project our prestigious brand image in China. We also market our brand and products on television platforms and through holding press conference and demonstration sessions in big corporations. All these are to make our presence more significant and attract more customers to our brand and products.

Our determination to market and invest on the online sales platform and television platform is rewarding. During the Track Record Period, we manage to derive increasing revenue from online sales. During the Track Record Period, our revenue from online sales accounted for approximately 23.2%, 24.0% and 28.1% of our total revenue, respectively. Our revenue from television platform accounted for approximately 52.5%, 43.3% and 26.1% respectively, of our total revenue during the same period.

Brand positioning

We strive to offer our customers the latest technologies through a wide range of products marketed under four brands, namely Miji Design (德國米技) , Miji Home (米技生活) , Miji Pro (米技商用)  and MKY (米凱藝) . We aim to access a wide customer base with our brand, which featured different styles functions and target customers in terms of age, spending habit, preference, lifestyle and gender. We intend to reinforce our multi-brand strategy with more effective brand positioning to better align our brand with their respective target customer groups. The following table sets out the style and image, product type, target customer, year of launch of our brand:

Brand	Style and image	Product type	Target customer	Year of launch
	Excellence, high-quality, personalised	Hobs and Stoves, bakery ovens, hoods and pots and pans	High-end consumers	2002
	Joyful, energetic, inspiring	Hobs and Stoves, bakery ovens, hoods and pots and pans	Young consumers, mass market	2014
	Professional, reliable, systematic	Commercial induction stoves	Commercial users (real estate projects, hotels and restaurant)	2013

BUSINESS

Brand	Style and image	Product type	Target customer	Year of launch
	Modern, artistic, exquisite	Imported kitchen cabinet and a total kitchen design solution	High-end consumers	2015

Marketing

Our advertising campaigns are conducted through traditional and online media, and are designed according to the characteristics of the PRC customers and our brand image. Traditional media include billboards, print media, television commercials and in-store advertisements. Online media include e-commerce platforms like 淘寶直通車 (Taobao Zhitongche*) and 淘寶鑽展 (Taobao Zuanzhan*), online press media and banner/display advertisement.

Apart from marketing through the usual traditional and online advertisements, we also place outdoor advertisements on the LED screens outside hotels and commercial buildings in major cities in the PRC, such as Beijing, Shanghai and Shenzhen. We also organise large-scale road shows and cooking competitions, such as 廚神老爸 (Cooking Papa) cooking competition, to promote our brand to potential individual end-consumers. To promote our brand to distributors and corporate clients, we organise press conferences and guided visits to our factories, set up a sales team with specialised professional knowledge in our products, kitchenwares and relevant construction projects. We participate in large scale international trade fairs organised for traders on an annual basis, such as Ambiente, an international consumer goods trade fair in Frankfurt, Germany; Interior Lifestyle China, an international consumer goods trade fair in Shanghai; and Hotelex Shanghai, an international trade fair for hospitality industry related products in Shanghai.

We aim to develop brand loyalty through an integrated online to offline (commonly known as “O2O”) marketing strategy. We provide periodic updates on our brand, products and promotional activities such as cooking class and interact with our customers through our social media. We have also established a fans club, Lu You Hui (爐友會) and organised events offline such as cooking classes for our fans club members. As at the Latest Practicable Date, our official WeChat account had 33,886 members. We also follow latest marketing trend by providing product and cash sponsorship to KOLs (key opinion leaders, “網紅”) on the condition that they will use our products in their broadcasts of cooking demonstrations.

During the key marketing periods such as National Day holidays, Singles’ Day online shopping festival Christmas, Chinese New Year holidays, Singles’ Day and other important festivals, extensive sales promotion is conducted.

We believe that the prominence of a kitchenware brand and our target customers’ purchasing decisions are highly influenced by the brand’s popularity and exposure among household and professional kitchen users.

BUSINESS

Our advertising and promotion expenses for each of the Track Record Period amounted to approximately RMB3.5 million, RMB3.9 million and RMB8.8 million, respectively.

QUALITY CONTROL

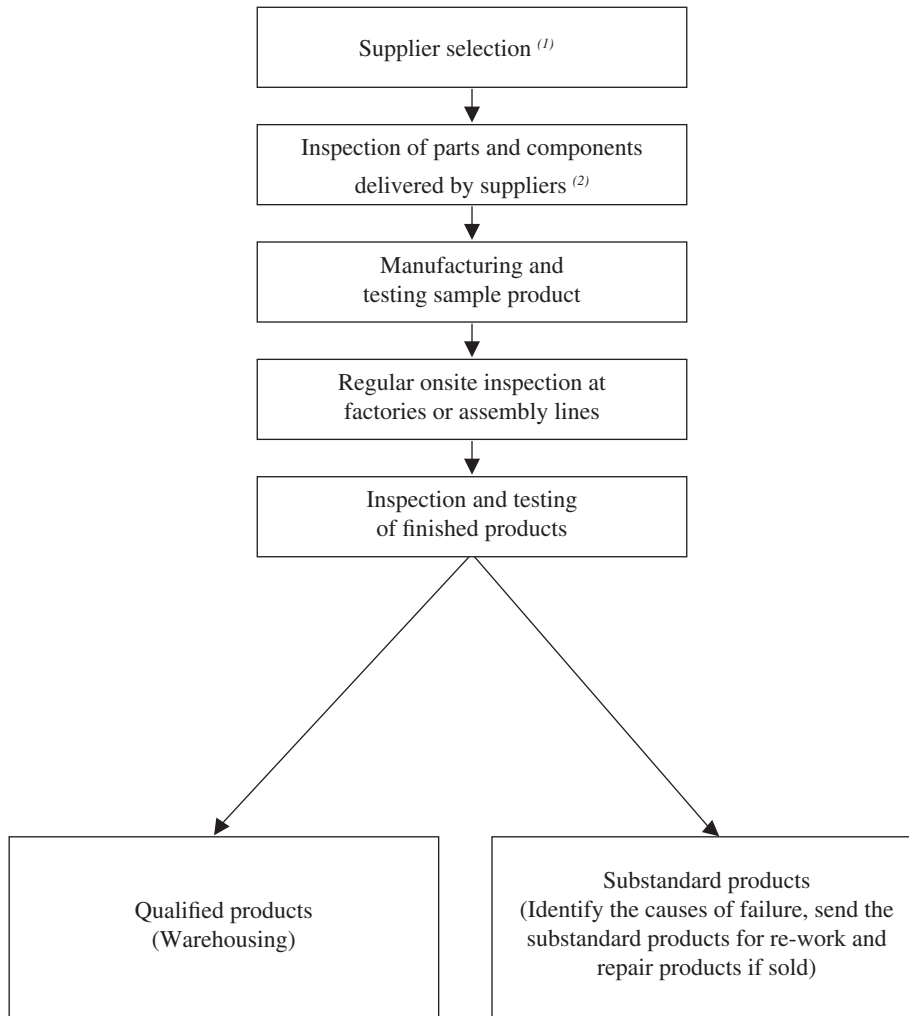
We believe that the quality of our products is crucial to our continued success. We place strong emphasis on achieving a consistently high quality for the products to be sold under our brand name. Our quality control department is responsible for formulating our Group's quality control policy which sets out guidelines in accordance with the respective requirements of ISO9001, CCC, CE, QB/T 4404-2012 and GS covering various key steps from procurement, production, storage to sales and distribution of our products. Our quality control department is also responsible for ensuring that we are in compliance with all applicable regulations, standards and internal policies at all times. Our senior management team is timely involved in setting quality policies and managing internal and external quality performance. As at the Latest Practicable Date, our quality control department assume incoming quality control role, in-process quality control role, and final quality control role.

As a result of our stringent quality control procedures, we had not experienced any claims, litigations and arbitrations or material adverse findings in inspection by government authorities with respect to the quality of our products during the Track Record Period.

We generally do not allow product returns except for quality reasons and the unconditional return to us within 7 days after sale in accordance with PRC customer protection laws. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any product recall or receive any material complaints from our consumers. For the incidental product buy-backs and returns from our distributors, please refer to the paragraph "Distributorship – Buy-back and return" in this section. Save for the aforesaid buy-backs and returns, our Group's sales return amounted to approximately RMB34,000, RMB208,000 and RMB388,000, representing approximately 0.02%, 0.1% and 0.2% of our total revenue for the Track Record Period respectively.

BUSINESS

We implement stringent quality control measures throughout the production process to ensure the quality and safety of our products. We have established a quality control system in accordance with the relevant the PRC laws and regulations. We are accredited with the certification of “ISO 9001:2008 Quality Management System” for our good quality management. The following flowchart illustrates the typical quality control process:



Notes:

- (1) For details of the supplier selection process, please refer to the paragraph headed “Sourcing of our pots and pans, hoods and ovens, small kitchen appliances, and radiant stoves from OEMs” in this section.
- (2) Our suppliers generally provide quality assurance and shall bear all liabilities if we become aware of any quality issues. We also return defective products to our OEM suppliers for their handling.

As a feedback mechanism, our quality control department would regularly identify quality control issues and formulate strategies to resolve the problem. Please refer to the paragraphs headed “Product engineering and mass production” and “Product quality standard and control” in this section for more information on the product quality standard and control qualifications observed and obtained by our Group.

Product quality standard and control

Our Group has obtained the following product quality standard and control qualifications:

- the certificates for quality management system for compliance of the requirements of GB/T 199002-2008/ ISO 9001:2008 for the scope of design, production and service of electronic stoves and induction stoves since 2006 and up to 26 July 2018
- the certificates for China Compulsory Product Certification issued by the China Quality Certification Centre for our Hobs and Stoves
- the VDE standard mark granted by VDE Association for Electrical, Electronic and Information Technologies for the parts and components of our Hobs and Stoves
- the CE mark required by the European Economic Area for some of our Hobs and Stoves which will be exported to European countries
- the GS mark issued by an agency accredited by the German government for proving that our products were tested and comply with the minimum requirements of the German Equipment and Product Safety Act.

During the Track Record Period and up to the Latest Practicable Date, there was no occurrence of major quality issues, mass recall, significant increase in return rate, or significant and adverse product-related disputes. Please refer to the paragraph headed “Product engineering and mass production” in this section for more information on our quality control measures adopted.

LOGISTICS

For logistics and delivery services for direct sales customers, we engage external logistics companies, which are Independent Third Parties, to deliver our products from our warehouses to delivery destinations designated by customers or our direct sales locations.

Under the logistic agreements entered into with these logistic companies, the risks associated with the delivery of our products are generally borne by the logistic companies. These arrangements allow us to reduce our capital investment and reduce the risk of liability for transportation accidents, delivery delays or loss. As at the Latest Practicable Date, we had engaged four logistics companies to deliver our products to our distributors and other customers geographical.

We select logistics companies based on a set of criteria, including their fees, coverage, overall delivery schedule and distribution proposal. We usually enter into contract for a term of one year with logistics companies and assess and review their performance regularly.

BUSINESS

During the Track Record Period, we did not experience any material disruption in the delivery of our products nor have we suffered any loss or paid any compensation as a result of delays in delivery or poor handling by logistics companies.

For the Track Record Period, transportation expenses for delivery of our products were approximately RMB4.3 million, RMB3.2 million and RMB2.6 million respectively, representing approximately 2.0%, 1.4% and 1.0% of our total turnover, respectively.

ENVIRONMENTAL AND SAFETY MATTERS

Environmental matters

We endeavour to minimise any adverse impact on the environment resulting from our business activities. Our Group's operations on sites are subject to certain environmental requirements pursuant to the laws in the PRC such as the Environmental Protection Law of the PRC, the Prevention and Control of Solid Waste Pollution Law of the PRC, the Law on Prevention and Control of Water Pollution of the PRC and the Law on Prevention and Control of Atmospheric Pollution. For details of the regulatory requirements, please refer to the paragraph headed "Regulatory Overview – Laws and regulations on operation – Environmental protection" in this prospectus.

In order to comply with the applicable environmental protection laws, we have implemented environmental protection policies, reducing air and water pollution and electricity consumption.

During the Track Record Period and up to the Latest Practicable Date, our Group did not incur any material environmental expenses. Our Group does not expect to incur any material environmental expenses in the future.

During the Track Record Period and up to the Latest Practicable Date, we did not record any non-compliance with applicable environmental requirements that resulted in prosecution, penalty, administrative fine or sanction being imposed against us.

Safety matters

We place emphasis on occupational health and work safety during the production of our products as it is our responsibility to put the safety of our employees and the general public as our top priority. We have in place a system of recording and handling accidents. We have dedicated personnel who are responsible for administering our internal worker safety policies, providing relevant training and education, and conducting regular inspections. During the Track Record Period, we had not experienced any material safety accidents or been penalised for any non-compliance relating to work safety laws and regulations.

BUSINESS

EMPLOYEES

As at the Latest Practicable Date, we had 253 full-time employees and 13 part-time employees in the PRC and three full-time employees and one part-time employee in Germany. The following table sets out a breakdown of the number of our employees by functions:

	As at the Latest Practicable Date
Directors and senior management	11
Legal, accounting and finance	9
Administration and human resources	10
Research and development	13
Quality control	9
Sales and marketing	156
Procurement	4
Production	26
Logistics support	13
After sales	16
Others	3
	<hr/>
Total:	<u>270</u>

We are not subject to any fines, penalties, administrative sanctions to improve or rectify as a result of non-compliance of the PRC or German labour laws during the Track Record Period.

During the Track Record Period, our Group did not face any claims for personal or property damages from our employees.

Relationship with our staff

Our Directors consider that we have maintained good relationship with our employees. We have not experienced any significant disputes with our employees or any disruption to our operations due to labour disputes. In addition, we have not experienced any difficulties in the recruitment and retention of experienced core staff or skilled personnel during the Track Record Period.

As at the Latest Practicable Date, our Group does not have any labour union.

Recruitment policy and training

We generally recruit our employees through placing advertisements in the open market with reference to factors such as their experience, qualifications and expertise required for our business operations. They are normally subject to a probation period of two to six months. We

BUSINESS

endeavour to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group. We provide our employees with occupational safety trainings to enhance their awareness of safety issues relating to construction site safety and handling of dangerous goods.

Remuneration policy

The remuneration package offered to our employees includes salary, bonuses and other cash subsidies. In general, our Group determines employees' salaries based on each employee's qualifications, position and seniority. Our Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

During the Track Record Period, our Group maintains social insurance for our employees pursuant to the applicable PRC laws and regulations by making contributions to the mandatory social insurance and housing provident funds which provide basic retirement, medical, work-related injury, maternity and unemployment benefits. We also participate in a supplemental medical insurance scheme to better protect our employees. During the Track Record Period, our contributions to employee benefit schemes amounted to approximately RMB5.4 million, RMB6.0 million and RMB5.8 million respectively.

Share Option Scheme

To retain and incentivise our management and employees, we have implemented the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus.

INTELLECTUAL PROPERTY RIGHTS

We rely on the PRC, Germany and Hong Kong laws to protect our brand names, trademarks and other intellectual property rights. As at the Latest Practicable Date, our Group had registered various trademarks for our Group and our products in the PRC, Germany and Hong Kong, which will be used by our Group to foster our corporate image. We are also the registered owner of a domain name. Please refer to the paragraph headed "Statutory and General Information – B. Further information about the business – 2. Intellectual property rights" in Appendix IV to this prospectus for further details of our intellectual property rights.

Miji Germany first filed an opposition against the registration of the trademark "MIJI米技" No. 8776812 in class 9 in the PRC by an individual, who is an Independent Third Party, in 2013. The State Administration for Industry & Commerce of the PRC Trademark Review and Adjudication Board (國家工商行政管理總局商標評審委員會) adjudged that our opposition was not established and approved the registration of the trademark. Miji Germany appealed firstly to No. 1 Intermediate People's Court of Beijing Municipality (北京市第一中級人民法院) in

BUSINESS

October 2015 and then to Higher People's Court of Beijing Municipality (北京市高級人民法院) in March 2017, yet both courts decided to uphold the original adjudication of the State Administration for Industry & Commerce of the PRC Trademark Review and Adjudication Board (國家工商行政管理總局商標評審委員會).

While our Group has not registered any trademark in class 9 in the PRC, our Directors consider that the registration of the trademark “MIJI米技” No. 8776812 in class 9 in the PRC will not adversely affect our business and operation, because class 9 trademarks are not applicable to the final products of our Group.

As at the Latest Practicable Date, save as disclosed above, we are not aware of any material infringement (i) by our Group of any intellectual property rights owned by any third parties; or (ii) by any third party of any intellectual property rights owned by us. During the Track Record Period and up to the Latest Practicable Date, there had not been any pending or threatened material claims made against us, nor had there been any material claims made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

INSURANCE

During the Track Record Period, our Group maintained insurance coverage against, among other things, (i) product liability insurance, (ii) public liability insurance; (iii) property insurance, (iv) employer's liability insurance, (v) medical insurance for employees of our Group and (vi) automobile insurance for third party injury. For more details regarding our exposure to product liability, please refer to the paragraph headed “Risk Factors – we may be exposed to product liability, property damage or personal injury claims” in this prospectus.

Certain types of risks, such as the risk in relation to the collectability of our trade receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks.

Our Directors believe that our current insurance policies are adequate and consistent with industry norm having regard to our current operations and the prevailing industry practice. For risks in relation to non-coverage of insurance policies, please refer to the paragraph headed “Risk Factors – we could sustain substantial losses from damages not covered by, or exceeding the coverage limits of, our insurance policies” in this prospectus. During the Track Record Period, our insurance expenses were approximately RMB244,000, RMB359,000 and RMB210,000 respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made, and had not been the subject of, any material insurance claim. Furthermore, no insurance claim has been made under the product liability insurance policy maintained by our Group during the Track Record Period.

COMPETITION

According to the CIC Report, the PRC's premium radiant stoves retail market, which is a subset of the kitchen appliance market and the cooking stove market, is relatively concentrated with less than 40 market players, while competition for the mass radiant stove segment remains

BUSINESS

much more intense by offering lower-priced products. The size of the PRC's radiant stove market, in terms of retail sales value, grew from approximately RMB0.9 billion in 2013 to RMB1.7 billion in 2017, representing a CAGR of 16.5%. Further, the total retail sales value of premium radiant stoves was approximately RMB1,097.8 million in 2017, of which the top five players accounted for approximately 60.4%. Our Group, namely the retail brand Miji, ranked first among all the premium retail brands for radiant stoves in the PRC as of 2017, having accounted for a market share of approximately 36.0% that year. In the kitchen appliance market and the cooking stove market in the PRC, a significantly larger market size than that of the premium radiant stove market, our Group only accounted for a minimal market share of approximately 0.3% and 1.3%, respectively, in terms of retail sales value in 2017.

PROPERTIES

As at the Latest Practicable Date, we owned the following property for our operations:

Address	Owner	Area (sq.m.)	Use of the property	Period of use
Building 3, 3585 Sanlu Road, Pujiang County, Minhang District, Shanghai, PRC (<i>Note</i>)	Miji Shanghai	3,340.64	Factory	19 March 2009 to 9 September 2057

Note: As at 31 December 2016 and 2017, and up to the Latest Practicable Date, this property was pledged as a security for our bank borrowings. For details of our bank borrowings and pledged assets, please refer to the paragraph headed "Financial Information – Indebtedness – bank borrowings".

As at the Latest Practicable Date, we rented the following leased properties for our operations:

Address	Landlord	Area (sq.m.)	Use of the property	Period of use
Factory A, 3585 Sanlu Road, Pujiang County, Minhang District, Shanghai, PRC	An Independent Third Party	2,620.75	Factory	1 January 2015 to 31 December 2020
Building 3, Lane 615 Fengdeng Road, Malu County, Jiading District, Shanghai, PRC	An Independent Third Party	2,880.72	Factory and warehouse	16 February 2015 to 15 February 2021
Unit 1706, Building 1, 105 Yao Jia Yuan Lu, Chaoyang District, Beijing, PRC ("Beijing Office")	An Independent Third Party	240.26	Office	1 December 2017 to 31 May 2019

BUSINESS

Address	Landlord	Area (<i>sq.m.</i>)	Use of the property	Period of use
No. 1, Guangqu East Road, Chaoyang District, Beijing, PRC	An Independent Third Party	45	Storage	5 March 2018 to 4 September 2018
Room 1017, Building A, Xinghe Century Building, Southwest junction of Shennan Road and Caitian Road, Futian District, Shenzhen, PRC	An Independent Third Party	61.89	Office	19 June 2018 to 20 June 2019
Exhibition Hall 2023, 2nd Floor, Shanghai Cimen International Deco Materials Centre, No. 407 Yi Shan Road, Xujiahui District, Shanghai, PRC	An Independent Third Party	353.16	Showroom	22 September 2017 to 21 September 2019
Room 26C, Building No. 4, Lane 500 Changde Road, Jingan District, Shanghai, PRC	An Independent Third Party	105.75	Staff quarter	20 July 2017 to 19 July 2018 (<i>Note</i>)
Room 202, Unit 7, Building 8, No. 1 Tianle Road, Wuhou District, Chengdu, PRC	An Independent Third Party	81.06	Staff quarter	14 August 2017 to 13 August 2018
Room 1102, Building No. 6 Lane 1369 Lianhang Road, Pujiang County, Shanghai, PRC	An Independent Third Party	48.51	Staff quarter	2 November 2017 to 1 November 2018
Room 605, Building No. 3, Lane 1369 Lianhang Road, Pujiang County, Shanghai, PRC	An Independent Third Party	54.69	Staff quarter	19 November 2017 to 18 November 2018
Westerwaldstraße 8, 35781 Weilburg, Germany	Mr. Michel	220	Office, storage, warehouse, production workshop and showroom	1 October 2017 to 30 September 2019

Note: As at the Latest Practicable Date, we are under negotiation with the landlord of this property on the terms and conditions of the tenancy renewal. We do not expect to encounter difficulties in the tenancy renewal, which would affect our business operations.

BUSINESS

As at the Latest Practicable Date, save as disclosed above, we did not own or rent any property. As at the Latest Practicable Date, we operated our businesses through six leased properties in Shanghai, Beijing, Chengdu and Shenzhen in China. Our leased properties in China primarily serve as our office and factories. As at the Latest Practicable Date, we failed to register nine leases in the PRC, primarily due to the difficulty of cooperating with the lessors to register such leases. Though we are in the process of registering the required leases with the local competent authority, there is no assurance that this will be completed in a timely manner. Our PRC Legal Advisor advises that the lack of registration of the lease contracts will not affect the validity of the lease agreements under the PRC law, and has also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. The estimated total maximum penalty is RMB90,000.

Any dispute or claim in relation to the titles of the properties that we occupy, including any litigation involving allegations of illegal or unauthorised use of these properties, could require us to relocate our business operations occupying these properties. If any of our leases are terminated or voided as a result of challenges from third parties or the government or if the lease is otherwise not renewed by our landlords upon expiration, we would need to seek alternative premises and incur relocation costs. Furthermore, there can be no assurance that the PRC Government will not amend or revise existing property laws, rules or regulations to require additional approvals, licenses or permits, or impose stricter requirements on us to obtain or maintain relevant title certificates for the properties that we use.

LICENSES AND PERMITS

As a manufacturer of Hobs and Stoves, we are subject to the regulation and supervision of various government departments at different levels. Pursuant to relevant laws and regulations, we are required to maintain various licences, permits and approvals in order to produce and launch our Hob and Stoves products. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, save for the urban wastewater discharge permit (城市排水許可證) (details of which are disclosed in the paragraph headed “Non-Compliance” in this section for more information), we have obtained all the licenses, permits and approvals from competent authorities and that such licences, permits and approvals are valid and remain in effect. We shall submit application to renew our licenses before their expiry in accordance with relevant the PRC and German laws and regulations. As advised by our PRC Legal Advisor, we do not expect any legal impediment to renew these licenses upon their expiration.

BUSINESS

NON-COMPLIANCE

Our Group has not fully complied with certain PRC laws and regulations during the Track Record Period. Details of the relevant non-compliant events are set out below:

Non-compliance incident: Failure to pay adequate social insurance fund and housing provident fund contributions for our employees

Reasons for the non-compliance: According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on the Housing Provident Fund of the PRC (中華人民共和國住房公積金社會保險法), we are required to make social insurance fund and housing provident fund contributions for our employees in the PRC. Due to administrative oversight, we did not make adequate contributions to the social insurance fund and housing provident fund for our employees during the Track Record Period. For the Track Record Period, the underpaid social insurance fund and housing provident fund contributions amounted to approximately RMB2.9 million, RMB3.4 million and RMB2.2 million, respectively. As advised by our PRC Legal Advisor, according to the relevant laws and regulations, for the social insurance fund, we may be subject to a fine equal to 0.05% per day of the underpaid social insurance fund contribution, and if we fail to make the required payment within the prescribed time limit upon receiving the demand notice from the competent authority, we may be subject to a fine ranging from one to three times of the amount overdue; for the housing provident fund, we may be required to make up the underpaid housing provident fund contribution within a prescribed time, failing which a fine between RMB10,000 and RMB50,000 may be imposed.

BUSINESS

Measures taken to prevent any future breaches and ensure on-going compliance:

Since July 2017, our PRC subsidiaries were paying adequate contributions to the social insurance fund and housing provident fund for our employees. Furthermore, we have made provisions for the underpaid social insurance fund and housing provident fund contributions of approximately RMB2.9 million, RMB3.4 million and RMB2.2 million, for the underpaid social insurance and housing provident fund for the Track Record Period, respectively. The local human resources and social security bureau had issued confirmation letters, confirming that they were not aware of any non-compliance of our Group with the laws and regulations relating to labour protection and social insurance that are subject to penalty nor any unpaid social insurance contributions that requires to be settled during the Track Record Period. As advised by our PRC Legal Advisor, given the two years' time-bar for any legal action taken by competent government authorities against any non-compliance with the labour protection laws and regulations in the PRC, the risk of being demanded to pay the unpaid amount of contributions or penalised by the competent authority is minimal. Further, we undertake that we will pay the underpaid contributions within the prescribed time limit once we receive any demand notice from the competent authority. As such, we will not be subject to the administrative penalty. Our Directors confirm that our Group had not received any demand notice from the competent authority during the Track Record Period and up to Latest Practicable Date.

The matters relating to social insurance fund and housing provident fund for our employees are managed by our administrative and human resources department. To enhance our on-going compliance, from November 2017, the head of our administrative and human resources department has designated an officer to carry out the following procedures on a monthly basis, and monitored the work of the designated officer to ensure that we comply with the laws and regulations related to social insurance fund and housing provident fund contributions:

- (i) review the staff record and examine whether our Group has made social insurance fund and housing provident fund contributions for every staff;

BUSINESS

(ii) report to our finance department on the number of staff, social insurance fund and housing provident fund contribution. Our finance department would check the amount of contributions against the staff list; and

(iii) investigate variances with the records kept by our finance department, if any.

Non-compliance incident:

Failure to obtain a permit for discharging sewage into the drainage pipelines (排水許可證) from the competent urban drainage department.

Reasons for the non-compliance:

According to the Regulations of Shanghai Municipality on Drainage Administration (《上海市排水管理條例》) and the Measures for the Administration of Shanghai Municipality on sewage treatment facilities (《上海市合流污水治理設施管理辦法》), Miji Yongxing is required to obtain permit for discharging sewage into the drainage pipelines (排水許可證) from the competent urban drainage department before we may discharge sewage into the municipal drainage facilities. Due to administrative oversight, Miji Yongxing failed to obtain the permit during the Track Record Period. As advised by our PRC Legal Advisor, according to the relevant laws and regulations, we may be ordered to get the license and be imposed a maximum fine of RMB500,000.

Measures taken to prevent any future breaches and ensure on-going compliance:

Subsequent to the Track Record Period, Miji Yongxing has obtained the permit for discharging sewage into the drainage pipelines (排水許可證) on 24 November 2017. As advised by our PRC Legal Advisor, the risk of being fined or penalised by the competent authority for the said non-compliance is minimal.

The matters relating to the permit for discharging sewage into the drainage pipelines are managed by our administrative and human resources department. To enhance our on-going compliance, from November 2017, the head of our human resources and administrative department has designated and supervised the work of an officer to monitor our wastewater discharge situation on a monthly basis, and ensure that we comply with the relevant laws and regulations and the conditions of the permit.

BUSINESS

Our Directors believe that these incidents of non-compliances, whether individually or collectively, will not have any material adverse effect on our business, operation and financial condition.

CORPORATE GOVERNANCE AND INTERNAL CONTROL MEASURES TO ENSURE FUTURE COMPLIANCE

In order to improve our corporate governance and to prevent recurrence of non-compliance incidents in the future, we have adopted, or expect to adopt before the Listing, a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of these internal control measures include the following:

- we have set up the following specific internal control policies to prevent the re-occurrence of our historical non-compliance incidents: with regard to our non-compliance in relation to the failure to make social insurance fund and housing provident fund contributions in full, we have adopted policies requiring each subsidiary of our Group to strictly comply with the relevant social insurance fund and housing provident fund laws and regulations in the PRC. We have also assigned a designated staff to maintain a registry of the list of employees eligible for the social insurance and housing provident fund schemes and the amount of payments in compliance with the relevant laws and regulations. Our head of administration and human resources management department will be primarily responsible for the implementation of such policies and our accounting department will examine the accuracy and completeness of the contribution amounts on a monthly basis and report the compliance status to our chief financial officer and company secretary;
- our Directors attended training sessions provided by our Hong Kong legal advisers, LC Lawyers, in October 2017 in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;
- we have adopted various internal control policies to ensure ongoing compliance with the Listing Rules and other relevant laws and regulations in Hong Kong, the PRC and Germany;
- we have engaged an independent internal control consultant, which is affiliated with one of the Big Four accounting firms, during its internal control review performed in July and September 2017 also identified certain defects of our internal control policies and procedures relating to our non-compliance incidents. With respect to the social insurance and housing provident fund contribution, the internal control consultant found that we did not strictly adhere to the PRC laws that require full payments on social insurance and housing provident fund contribution to employees. Upon these findings, our internal control consultant put forward recommendations for us to rectify and enhance our internal control measures;

BUSINESS

- an audit committee comprising all independent non-executive Directors has been established to review and supervise our financial report process and internal control procedures and risk management system; and
- we have engaged Dakin Capital Limited as our compliance adviser after Listing to advise our Group in relation to the Listing Rules.

Madam Maeck, our executive Director, will be responsible for overseeing the implementation of the above measures with the assistance of Ms. Li Hongyu, our financial controller. Having considered the professional qualifications and working experiences of Ms. Li, details of which are set out in the section headed “Directors, Senior Management and Employees” in this prospectus, our Directors are of the view that with the assistance of Ms. Li, Madam Maeck is competent in overseeing the compliance matters of our Group. Our Directors believe and the Sponsor concurs that the enhanced internal control measures and the remedial actions above are adequate and effective in preventing the re-occurrence of similar non-compliance in the future.

Our Directors are of the view that the aforesaid remedial measures and on-going compliance measures are sufficient and effective in preventing similar non-compliance incidents from reoccurring again in the future as no such similar non-compliance incidents have occurred since its implementation and up to the Latest Practicable Date. In light of the preventive measures and its effectiveness, the Sole Sponsor is of the view that our Group has adequate and effective internal control procedures in place for the purpose of Rule 8.04 of the Listing Rules.

In addition, our Directors are of the view and the Sponsor concurs that the above non-compliance incidents would not impugn the integrity or competence of our Directors or affect the suitability of our Directors and our Group under Rules 3.08, 3.09, 8.15 and 8.04 of the Listing Rules on the following basis:

- the above non-compliance incidents were not of serious nature, and did not and will not have any material operational, legal and financial impact on our Group;
- the above non-compliance incidents were mainly caused by our staff’s unintended and inadvertent oversight or lack of understanding of the relevant laws and regulations and did not involve dishonesty or fraud on the part of our Directors;
- with the occurrence of these incidents, our Directors are minded and alert to any issues that might result in any non-compliance, and there are measures in place for preventing recurrence of non-compliance as disclosed above, including but not limited to the assignment of designated responsible staff and clear reporting mechanism such that our Directors and senior management could properly supervise and monitor the relevant staff to ensure our Group operates in compliance with the relevant laws and regulations, and such measures are considered adequate and effective; and

BUSINESS

- upon the training provided to our Directors, our Directors are fully aware of the requirements and obligations as directors of a listed issuer pursuant to the Listing Rules.

RISK MANAGEMENT

Our Board is responsible for overseeing and managing the overall risks associated with our operations. Our Directors have confirmed that during the ordinary course of our business, we are primarily exposed to (i) operational risks; (ii) financial risks; and (iii) regulatory risks in relation to our business.

To address these risks, we have adopted a number of measures including the following:

- carrying out risk evaluation annually by analysing information obtained from our employees, clients, suppliers and other persons to identify the operational risks;
- carrying out risk evaluation relating to the financial reports and comparing our performance with those enterprises of similar size or in the same industry annually;
- establishing an audit committee to review and supervise our financial reporting process and internal control system; and
- carrying out comprehensive evaluation on possible fraudulent behaviours and misconducts with the aim to prevent or discover these irregular behaviours.

For more details on risks associated with our Group, please refer to the section headed “Risk Factors” in this prospectus. For further details for our financial risk management, please refer to note 3 in the Accountant’s Report.

Our Directors have confirmed that during the Track Record Period, save as disclosed in this prospectus, no material failure occurred and we believe that our risk management system is sufficient and effective.

LEGAL PROCEEDINGS

During the Track Record Period and as at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim, or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group or any of our Directors, that would have a material adverse effect on its business, results of operations or financial condition. We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of business.

AWARDS AND CERTIFICATION

Our Group has received, among others, 上海市節能產品 (Shanghai Energy Saving Products*) awarded by 上海市節能產品評審委員會 (Shanghai Energy Saving Product Evaluation Committee*) and 優秀貢獻獎企業 (Enterprise with Outstanding Contribution*) awarded by 浦江鎮人民政府 (People's Government of Pujiang Town of Minhang District*) in 2016.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the Capitalisation Issue and the Share Offer, Madam Maeck will, through her investment holding company, Wide Big, will control more than 30% of the issued share capital of our Company. For the purpose of the Listing Rules, Madam Maeck and Wide Big are the Controlling Shareholders of our Company. Wide Big is an investment holding company.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on its businesses independent of, and does not place undue reliance on, our Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. During the Track Record Period, certain bank borrowings and overdraft were guaranteed by personal guarantees of one of our Controlling Shareholders and her associate, please refer to the paragraph headed “Financial Information – Indebtedness” in this prospectus and Note 28 (Related parties balances and transactions) of the Accountant’s Report set out in Appendix I to this prospectus for further details. All the above guarantees provided to our Group were released in October 2017. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations.

(ii) Operational independence

Our Group has established our own organisational structure comprising of individual departments, each with specific areas of responsibilities. Save for the transaction in respect of our lease of premises in Germany as office, storage, warehouse, showroom and production workshop from Mr. Michel, the spouse of Madam Maeck, our Controlling Shareholder, our Group has not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their close associates. Our Directors are of the view that, given the aforementioned leased property from Mr. Michel can be replaced with lease from third party without material impact on our financial and operating performance there is no operational dependence on our Controlling Shareholders.

(iii) Independence of management

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business. The main function of the Board includes the approval of our overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. We have an independent management

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

team, which is led by a team of senior management with substantial experience and expertise in our business, to implement our Group's policies and strategies.

Our Board consists of five Directors, comprising two executive Directors and three independent non-executive Directors. Madam Maeck is the sole director of Wide Big, a Controlling Shareholder. Mr. Michel is the spouse of Madam Maeck. No other Directors nor members of senior management of our Group hold any directorship or position in Wide Big.

Each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transactions and shall not be counted in the quorum.

(iv) Independence of major suppliers

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates do not have any relationship with the top five suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

(v) Independence of major customers

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates have any relationship with the top five customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group and each of Madam Maeck and Wide Big (the "Covenantors"), each of the Covenantors has executed a deed of non-competition (collectively, the "Deeds") on 24 June 2018 in favour of our Company (for itself and for the benefit of each other member of our Group). Pursuant to the Deeds, during the

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

period that the Deeds remain effective, each of the Covenantors irrevocably and unconditionally undertakes to our Company (for itself and for the benefit of each other member of our Group) that she/it shall not, and shall procure her or its close associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

When business opportunities which may compete with the business of our Group arise, the respective Covenantor(s) shall, and shall procure their respective close associates to, give our Company notice in writing and we shall have a right of first refusal to take up such business opportunities. We shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal. Within three months after receipt of written notice concerning offer of such business opportunities from the Covenantor(s) or her/its close associate(s) (or such longer period if our Company is required to complete any approval procedures as set out under the Listing Rules from time to time), we shall notify the Covenantor(s) whether we intend to accept the offer. If we decline any such offer, the Covenantor(s) and/or her/its close associate(s) shall then be allowed to acquire the business opportunities offered on terms no more favorable than those offered to us.

The Deeds are conditional upon the fulfilment of the following conditions:

- (i) the Listing Committee granting the approval for the listing of, and permission to deal in, our Shares; and
- (ii) the fulfilment of the conditions precedent under the Underwriting Agreements (including waiver of any conditions precedent by the Underwriters, if applicable) and the Underwriting Agreements not being terminated.

If any of such conditions is not fulfilled on or before the date agreed between the Underwriters and our Company or the Underwriters and our Company have agreed to terminate the Underwriting Agreements thereafter, the Deeds shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deeds.

The Deeds shall terminate when (i) a Covenantor whether individually or taken together with her or its close associates, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the issued share capital of our Company; or (ii) our Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of our Shares on the Stock Exchange due to any reason).

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Each of the Controlling Shareholders has confirmed that she/it fully comprehends her/its obligations to act in the best interests of our Company and our Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) the Covenantors will make an annual confirmation as to compliance with her/its undertaking under the Deeds for inclusion in the annual report of our Company;
- (ii) the Board is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board which can effectively exercise independent judgment. Our Company has appointed three independent non-executive Directors. Our Directors believe that the independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of the independent non-executive Directors are set out in the section headed “Directors, Senior Management and Employees” of this prospectus;
- (iii) our Company has appointed Dakin Capital Limited as the compliance advisor, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls;
- (iv) the Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deeds; and
- (v) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deeds; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deeds.

SHARE CAPITAL

SHARE CAPITAL

The share capital of our Company immediately following the Capitalisation Issue and the Share Offer, assuming the Over-allotment Option is not exercised at all, and without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, will be as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
<u>10,000,000,000</u> Shares	<u>100,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:</i>	
100	1
1,124,999,900	11,249,999
375,000,000	3,750,000
<u>1,500,000,000</u> Total	<u>15,000,000</u>

The share capital of our Company immediately following the Capitalisation Issue and the Share Offer, assuming the Over-allotment Option is exercised in full, and without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, will be as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
<u>10,000,000,000</u> Shares	<u>100,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:</i>	
100	1
1,124,999,900	11,249,999
375,000,000	3,750,000
56,250,000	562,500
<u>1,556,250,000</u> Total	<u>15,562,500</u>

SHARE CAPITAL

RANKING

The Offer Shares will rank *pari passu* in all respects with all our Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 24 June 2018, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 1,124,999,900 Shares credited as fully paid at par to the holders of the Shares on the register of members of our Company at the close of business on 24 June 2018 in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$11,249,999 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer; and
- (b) the aggregate nominal value of the share capital of our Company bought-back pursuant to the authority granted to our Directors referred to in the paragraph headed “Share Capital – General mandate to buy-back shares” in this prospectus.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;

SHARE CAPITAL

- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “Statutory and general information – A. Further information about our Company – 3. Written resolutions of our Shareholders passed on 24 June 2018” set out in Appendix IV to this prospectus.

GENERAL MANDATE TO BUY-BACK SHARES

Conditional on the conditions as stated in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers to buy-back Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued under the Over-allotment Option or pursuant to the exercise of any option which may be granted under the Share Option Scheme).

This mandate only relates to buy-backs made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Statutory and General Information – A. Further information about our Company – 6. Buy-back of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to buy-back Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph “Statutory and General Information – A. Further Information about our Company – 6. Buy-back of our Shares by our Company” set out in Appendix IV to this prospectus.

SHARE CAPITAL

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed “Statutory and General Information – D. Share Option Scheme” set out in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” set out in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in the Shares

Name	Capacity/ nature of interest	Number of Shares held/ interested as at the date of this prospectus	Percentage of Shareholding as at the date of this prospectus	Number of Shares held/ interested after completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding after completion of the Capitalisation Issue and the Share Offer
Wide Big <i>(Note 1)</i>	Beneficial owner	85	85%	900,000,000	60%
Madam Maeck <i>(Note 2)</i>	Interest of a controlled corporation	85	85%	900,000,000	60%
Mr. Michel <i>(Note 2)</i>	Interest of spouse	85	85%	900,000,000	60%
Haitong Global Investment SPC III for and on behalf of Haitong Dynamic Multi-Tranche Investment Fund III S.P. <i>(Note 3)</i>	Beneficial owner	15	15%	168,750,000	11.25%

Notes:

1. The issue share capital of Wide Big wholly-owned by Madam Maeck. Therefore, Madam Maeck is deemed, or taken to be, interested in all Shares held by Wide Big for the purpose of the SFO. Madam Maeck is a director of Wide Big.

SUBSTANTIAL SHAREHOLDERS

2. Madam Maeck is the spouse of Mr. Michel. Accordingly, Mr. Michel is deemed, or taken to be, interested in the Shares which Madam Maeck is interested in for the purpose of the SFO.
3. Haitong is a segregated portfolio of Haitong Global Investment SPC III, an exempted company incorporated with limited liability and registered as a segregated portfolio company with the Registrar of Companies of the Cayman Islands.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our Board of Directors consists of two executive Directors and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of the business of our Group. The following table sets forth the information concerning our Directors and senior management:

Directors

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Key roles and responsibilities	Relationship with other Directors and senior management
Madam Maeck Can Yue (<i>alias</i> 季殘月, <i>Mack GEB. Ji Can Yue and Ji Can Yue</i>)	50	Executive Director, chairperson and chief executive officer	June 2000	16 May 2017	Responsible for our Group's overall corporate management and formulating business strategies	Spouse of Mr. Michel
Mr. Walter Ludwig Michel (<i>alias</i> <i>Walter Michel</i>)	67	Executive Director	October 2001	19 October 2017	Responsible for our Group's product engineering and development	Spouse of Madam Maeck
Mr. Wang Shih-fang (王世方先生)	48	Independent non-executive Director	June 2018	23 June 2018	Providing independent judgment to our Board	N/A
Mr. Yan Chi Ming (甄子明先生)	63	Independent non-executive Director	June 2018	23 June 2018	Providing independent judgment to our Board	N/A
Mr. Hooi Hing Lee (許興利先生)	51	Independent non-executive Director	June 2018	23 June 2018	Providing independent judgment to our Board	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Senior Management

Name	Age	Position	Date of joining our Group	Date of appointment of current position	Responsibilities	Relationship with other Directors and senior management
Ms. Li Hongyu (李紅玉女士)	33	Financial controller	2 May 2017	2 January 2018	Responsible for overseeing the financial operations of our Group	N/A
Ms. Lin Shaochai (林紹釵女士)	35	Sales director	17 April 2008	5 April 2016	Responsible for overseeing the sales and marketing strategies and operation of our Group	N/A
Mr. Fang Zongda (方宗達先生)	60	Research and development director	11 March 2010	11 March 2010	Responsible for overseeing our research and development and quality control functions	N/A

DIRECTORS

Executive Directors

Madam Maeck Can Yue (alias 季殘月, Mäck GEB. Ji Can Yue and Ji Can Yue), aged 50, is our founder, executive Director, Chairperson and chief executive office. She is responsible for our Group's overall corporate management and business development strategies. Madam Maeck has been appointed as a director of all our subsidiaries.

Madam Maeck has over 18 years of experience in kitchenware industry. Prior to her establishment of Miji Germany in June 2000 and Miji Shanghai in October 2001, Madam Maeck had worked for OBI GmbH & Co. Deutschland KG, a company principally engaged in the business of home improvement supplies retailing as a director of marketing and development, where she was mainly responsible for marketing and development, from May 1998 to April 2000; and for Leica Microsystems Ltd., a company principally engaged in the business of manufacturing optical microscopes, equipment for the preparation of microscopic specimens and related products, from January 1996 to March 1998.

Madam Maeck obtained a diploma of enterprise management in May 1996 from the Fachhochschule für Wirtschaft Berlin.

In 2001, Madam Maeck was recognised by the Shanghai Municipal Personnel Bureau, the predecessor of Human Resources and Social Security (人力資源和社會保障局) as one of the scholars studied abroad who was eligible for preferential treatment for investment in Shanghai,

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

China. She was conferred the title of adjunct professor on 1 September 2015 and appointed as advisor for master of international business for the period from April 2017 to March 2020 by Shanghai University of International Business and Economics. She was also selected as one of the Leading Talents of Minhang District (閔行領軍人才), Shanghai, China by the Shanghai Minhang District Human Resource and Social Security Bureau (上海閔行區人力資源和社會保障局) in 2013. Madam Maeck also received several awards in recognition of her entrepreneurship, including the 5th Shanghai Science and Technology Entrepreneur (Women Entrepreneur) Innovation Award (第五屆上海科技企業家(女企業家)創新獎) in 2010, and Shanghai Business Outstanding Entrepreneur (上海商業優秀企業家) for 2016.

Madam Maeck was previously a director or legal representative or responsible person of the company shown in the table below at the time of its dissolution:

Company	Place of incorporation/ establishment	Principal business activity immediately before dissolution	Position	Date of dissolution	Means and reasons of dissolution
Beijing Miji Electronics and Appliances Ltd. (北京米技電子電器有限公司)	16 April 2004	Development of hobs and stoves, electrical appliances and kitchen appliances	Supervisor	19 September 2006	Dissolution due to cessation of business

Mr. Walter Ludwig Michel (alias Walter Michel), aged 67, was appointed as an executive Director on 19 October 2017. Mr. Michel has worked in Miji Shanghai as a deputy chairman since 2001. He is also a director of certain members of our Group.

Mr. Michel has over 28 years of experience in the electrical appliance industry. He had been working as a managing director ever since he joined Feinwerktechnik Wetzlar GmbH, a company principally engaged in the business of development, manufacture and distribution of fine mechanical optical metal and plastic components in December 1989 where he was mainly responsible for the development and production of technology, and had been working there till December 1994. From June 1994 to June 1999, Mr. Michel worked in Shanghai Leica Microsystems Ltd where he was mainly responsible for the general performance of the company. From 1999 to June 2013, Mr. Michel acted as a director and general manager of EGO Electrical Components (Shanghai) Co. Ltd. (益技歐電子器件(上海)有限公司), a company principally engaged in the business of manufacturing of parts and components of electrical cooking and washing appliances. Between September 2012 and August 2014, where he acted as the general manager of EGO between 2012 and 2014, where he was mainly responsible for the performance of the company.

Mr. Michel obtained certificates in precision engineering from State Technical School, Weilburg in June 1974 and planning and management from REFA Institute in March 1980.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Independent non-executive Directors

Mr. Wang Shih-fang (王世方先生) (“Mr. Wang”), aged 48, was appointed as independent non-executive Director on 23 June 2018. He has over 14 years of experience in the finance industry. Between July 2014 and December 2016, Mr. Wang was the managing director of Haitong International Securities Group Limited. He was also acted as a first Vice President in business planning and support department of 富邦證券投資信託股份有限公司 (Fubon Asset Management Co., Ltd) between March 2010 and February 2014. Prior to that, he was appointed as an associate director of SinoPac Securities (Asia) Limited between November 2008 to April 2010. From August 2006 to October 2008, he served 柏瑞證券投資信託股份有限公司 (Pinebridge Investments Management Taiwan Limited, formerly known as 友邦證券投資信託股份有限公司 (AIG Investment Management Corporation (Taiwan) Ltd.)) as an assistant vice president and head of direct sales. From October 2002 to July 2006, he served 瀚亞證券投資信託股份有限公司 (Eastspring Securities Investment Trust Co., Ltd, formerly known as 保誠證券投資信託股份有限公司 (PCA Securities Investment Trust Co., Ltd.)) as a manager of the financial business department.

In April 2001, Mr. Wang was awarded the certificate of securities investment trust & consulting by Securities Investment Trust and Consulting Association of the ROC in Taiwan. In 2002, Mr. Wang was awarded the Certificate of Broker License by Securities and Futures Institute in Taiwan. Mr. Wang was also a licensed representative under the Securities and Futures Ordinance from January 2009 to April 2010.

Mr. Wang graduated from Fu-Jen Catholic University in Taiwan with a bachelor’s degree in philosophy in June 1992 and a master’s degree in arts in June 1995. Mr. Wang also obtained his master’s degree in business administration from the National Chengchi University in Taiwan in January 2012.

Mr. Wang has also conducted lectures at Fu-Jen Catholic University.

Mr. Yan Chi Ming (甄子明先生) (“Mr. Yan”), aged 63, has over 20 years of experience in construction, property development and investment in Hong Kong and mainland China and was appointed as independent non-executive Director on 23 June 2018. He has been the chief executive officer of Gateway Development & Investment Limited since June 2011. Prior to that, Mr. Yan held senior positions of a number of companies listed on the main board of the Stock Exchange, including MTR Corporation Limited (from 2004 to 2011 with his last position as the chief development manager – Shenzhen), COSCO International Land Limited, a wholly owned subsidiary of COSCO International Holdings Limited (from 1997 to 1998 as a general manager) and the group of Shui On Holdings Limited (from 1999 to 2003, with his last position as an assistant general manager). Mr. Yan was an executive director and the chairman of the board of directors of Kong Shum Union Property Management (Holding) Limited (a company listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange, Stock code: 08181) between December 2015 and July 2016.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Yan was admitted as a member of the Institution of Civil Engineers of the United Kingdom (the “UK”) in June 1980. He was elected a member of the Institution of Structural Engineers of the UK in November 1982.

Further, Mr. Yan was elected as a fellow member of the Hong Kong Institute of Real Estate Administration in April 1999. He was also admitted as a fellow member of the Hong Kong Institute of Directors in December 2011.

Mr. Yan obtained a bachelor degree of science in Engineering and a master degree of business administration from the University of Hong Kong in Hong Kong, China in November 1976 and November 1985 respectively. Mr. Yan also obtained a master degree of science in economics from the University of London in the UK in September 1989.

Mr. Yan was previously a director or legal representative or responsible person of the companies shown in the table below at the time of their respective dissolution:

Company	Place of incorporation/ establishment	Principal business activity immediately before dissolution	Position	Date of dissolution	Means and reasons of dissolution
Apex Link Limited (高領有限公司)	Hong Kong	Property investment	Director	21 February 2003	Striking off due to cessation of business
Global Elegant Development Limited (高雅發展有限公司)	Hong Kong	Property investment	Director	6 March 2015	Deregistration due to cessation of business
Kentwin Development Limited (堅昌發展有限公司)	Hong Kong	Property investment	Director	22 September 2006	Deregistration due to cessation of business
Max Elegant International Limited (宏豐浩國際有限公司)	Hong Kong	Property investment	Director	6 September 2002	Striking off due to cessation of business
Pacific Cross Trading Company Limited	Hong Kong	Property investment	Director	3 February 2006	Striking off due to cessation of business

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Company	Place of incorporation/ establishment	Principal business activity immediately before dissolution	Position	Date of dissolution	Means and reasons of dissolution
Top Wealth Property Limited (富益置業有限公司)	Hong Kong	Property investment	Director	22 September 2006	Deregistration due to cessation of business
World Choice Development Limited (威昌發展有限公司)	Hong Kong	Property investment	Director	4 July 2008	Deregistration due to cessation of business

Mr. Hooi Hing Lee (許興利先生) (“Mr. Hooi”), aged 51, has over 30 years of experience in the finance industry and was appointed as independent non-executive Director on 23 June 2018. Mr. Hooi was employed by National Australia Bank Limited in a variety of roles in Australia and Hong Kong from January 1988 to June 2006 with his last position as the head of corporate banking, North Asia. He also served as a chief operating officer in Cushman & Wakefield Capital Asia Limited from July 2006 to October 2008. For the period between 5 March 2008 to 6 October 2008, Mr. Hooi was a responsible officer for regulated activities Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of Cushman & Wakefield Capital Asia (HK) Limited. He also served as a country chief risk officer of Standard Chartered Bank (Taiwan) Limited from August 2010 to June 2013 respectively. Mr. Hooi has accumulated extensive accounting and corporate finance experience during his past employments. In the year 2013, Mr. Hooi founded a private company, pH Capital Limited, where he currently acts as the director.

Mr. Hooi was appointed as the lead independent non-executive director of Cityneon Holdings Limited, a company listed on the Mainboard of the Singapore Stock Exchange (Stock code: 5HJ), in August 2017. He is also concurrently the chairman of audit and risk committee, and a member of the nominating and remuneration committees of the Cityneon Holdings Limited. Mr. Hooi was also appointed on 30 November 2017 as a non-executive director of Ponderous Panda Capital Corp., a company listed on the TSX Venture Exchange (Stock code: PPCC.P). Mr. Hooi regularly reviews financial statements of the aforesaid public companies, amongst other duties of being a director of these companies.

Mr. Hooi obtained his bachelor of commerce degree from the University of Western Australia in April 1990. He was admitted as a member of the certified practicing accountants of Australia in July 1990 and a fellow of the Hong Kong Institute of Directors in March 2006.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Hooi was previously a director or legal representative or responsible person of the companies shown in the table below at the time of their respective dissolution:

Company	Place of incorporation/ establishment	Principal business activity immediately before dissolution	Position	Date of dissolution	Means reasons of dissolution
Sino Express Investment Limited (中貫投資有限公司)	Hong Kong	Investment holdings	Director	1 April 2010	Deregistration due to cessation of business
Crown Charm Investment Limited (冠倡投資有限公司)	Hong Kong	Investment holdings	Director	24 July 2009	Deregistration due to cessation of business

Save as disclosed above, none of our Directors has been a director of any other listed companies during the three years immediately preceding the date of this prospectus.

SENIOR MANAGEMENT

Ms. Li Hongyu (李紅玉女士) (“Ms. Li”), aged 33, is a financial controller of our Group. She joined our Group in May 2017 and is responsible for overseeing financial management of our Group.

Ms. Li has over seven years of experience in the accounting industry. Prior to joining our Group, she worked as a manager in audit and assurance department in Deloitte Touche Tohmatsu Certified Public Accountants LLP Dalian Branch (formerly known as Deloitte Touche Tohmatsu CPA Ltd. Dalian Branch) from September 2010 to April 2017.

Ms. Li was admitted as a certified public accountant in the State of Iowa in the United States of America in 2016. She obtained a bachelor’s degree in accounting from Hebei University (河北大學) in 2007. She also obtained a master’s degree in accounting from Dongbei University of Finance and Economics (東北財經大學) in 2009.

Mr. Fang Zongda (方宗達先生) (“Mr. Fang”), aged 60, is our research and development director and is responsible for overseeing our research and development and quality control functions. Mr. Fang joined our Group in 2010 and has over 15 years of experience in electric engineering. In the earlier years of his career, he had worked for various universities and institutes including his last position as the Dean of the Electric Engineering Department, at the University of Shanghai for Science and Technology in Shanghai. From 2002 to 2017 Mr. Fang was the Dean of the Electric Engineering Institute and the Dean of Shanghai Hamburg International Engineering College in Shanghai.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Fang graduated from the China Textile University, Shanghai, in July 1986 with a bachelor's degree in Electric Automation Engineering and the Shanghai Mechanical College, Shanghai, in December 1980 with professional qualification in electronic automation. He was also granted the title of senior engineer by 上海市高等學校教師職務評審委員會 (Shanghai Expertise Qualification Review Committee*) in July 1993.

Ms. Lin Shaochai (林紹釵女士) (“Ms. Lin”), aged 35, joined our Group in April 2008 and is our sales director and has been responsible for overseeing the sales and marketing strategies and operation of our Group since 2013. She has over 9 years of experience in sales and marketing and customer service in the PRC and she worked as a senior customer service manager from April 2008 to March 2013. She was responsible for the establishment and supervision of the operation of the customer service system. From March 2013 to March 2016, she worked as a senior sales channel manager in the sales and marketing department of our Group and assisted in formulating sales and marketing strategies.

Prior to joining our Group, she worked as an assistant engineer in the research and development department of Shanghai Tiger-Born Electronic & Electrical Appliance Co. Ltd. (上海虎生電子電器有限公司) from October 2004 to March 2008 where she was responsible for preparing sales forecast and new product launch.

Ms. Lin obtained her professional qualification in communication technology from Jiujiang Vocational and Technical College in the PRC in July 2004.

Save as disclosed above, none of our senior management has been a director of any listed companies during the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Ms. Ho Wing Yan (何詠欣女士) (“Ms. Ho”), aged 36, was appointed as our Company Secretary of our Company on 24 June 2018. She graduated from Hong Kong Baptist University (香港浸會大學) and obtained a bachelor's degree in business administration (applied economics) in November 2004. She has also obtained a master degree of corporate governance from The Open University of Hong Kong (香港公開大學) in June 2009. She was admitted as an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries in November 2009. Ms. Ho joined BMI Corporate Services Limited in July 2009 and is currently its director. Ms. Ho has worked for several companies listed on the Stock Exchange and has extensive experience in our Company secretarial field for listed companies. Ms. Ho has currently held the positions of the following companies listed on the Stock Exchange:

Name	Stock Code	Position	Tenure
A8 New Media Group Limited	800	company secretary	April 2017 till now

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Stock Code	Position	Tenure
China Aluminum Cans Holdings Limited	6898	company secretary	August 2016 till now
China Beidahuang Industry Group Holdings Limited	39	Non-executive director	April 2015 till now
China Titans Energy Technology Group Co., Limited	2188	company secretary	May 2018 till now
China Wood Optimization (Holding) Limited	1885	company secretary	July 2012 till now
Great China Holdings Limited	141	company secretary	August 2014 till now
Huazhong In-Vehicle Holdings Company Limited	6830	company secretary	February 2013 till now
North Mining Shares Company Limited	433	company secretary	June 2016 till now
Primeview Holdings Limited	789	company secretary	December 2017 till now
上海交大慧谷信息產業股份有限公司 (Shanghai Jiaoda Withub Information Industrial Company Limited*)	8205	company secretary	February 2010 till now
Tenwow International Holdings Limited	1219	company secretary	June 2018 till now
Unitas Holdings Limited	8020	company secretary	December 2011 till now
WINDMILL Group Limited	8409	company secretary	November 2016 till now
無錫盛力達科技股份有限公司 (Wuxi Sunlit Science and Technology Company*)	1289	company secretary	August 2013 till now

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Stock Code	Position	Tenure
Zhongzhi Pharmaceutical Holdings Limited	3737	company secretary	May 2017 till now
佐力科創小額貸款股份有限公司 (Zuoli Kechuang Micro-finance Company Limited*)	6866	company secretary	March 2016 till now

Ms. Ho does not act as our full-time employee but she has been appointed as our company secretary pursuant to our engagement of an external company secretarial services provider, BMI Listed Corporate Services Limited, an associate of BMI Corporate Services Limited, to provide company secretarial services to us. Ms. Ho's major roles in our Company include supporting the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed. As Ms. Ho is supported by different designated teams of professional staff within BMI Corporate Services Limited, she is confident that she is able to allocate sufficient time and has professional resources to perform her role as the company secretary of our Company. She was able to attend all board and committee meetings of each of the aforesaid listed companies. In view of the aforesaid, our Directors and the Sole Sponsor both concur with the view of Ms. Ho that despite Ms. Ho is not our employee, she is able to allocate sufficient time and has professional resources to perform her role as the company secretary of our Company.

COMPENSATION OF THE DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to our Directors for the Track Record Period was approximately RMB1,248,000, RMB1,290,000 and RMB1,272,000, respectively.

Under the arrangements currently in force, the aggregate emoluments payable by our Group to our Directors for the year ending 31 December 2018 will be approximately RMB1,420,000.

The emoluments paid to our Group's five highest paid individuals in aggregate for the Track Record Period were approximately RMB3,226,000, RMB3,197,000 and RMB3,295,000, respectively.

During the Track Record Period, no emoluments were paid by our Group to any of our Directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Except as disclosed above, no other payments have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 9 in the Accountant's Report.

RELATIONSHIP WITH EMPLOYEES

We recognise the importance of having a good working relationship with our employees. The remuneration payable to our employees includes salaries and allowances.

We have not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor any difficulties in the recruitment and retention of experienced staff. Our Directors believe that our Group has a good working relationship with our employees as a whole.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. We will comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and the associated Listing Rules. For further details of the corporate governance measures in relation to competing interest and conflict of interest of Directors adopted by our Group, please refer to paragraphs headed "Relationship with Controlling Shareholders – Non-competition undertaking" and "Relationship with Controlling Shareholders – Corporate governance measures" in this prospectus.

Under paragraph A.2.1 of the Corporate Governance Code and Corporate Governance Report, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisation structure of our Company, Madam Maeck is our chairperson and chief executive officer. With her extensive experience in the industry, our Directors believe that vesting the roles of both chairperson and chief executive officer in the same person provides our Company with strong and consistent leadership, allowing effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of our Group. Although Madam Maeck performs both the roles of chairperson and chief executive officer, the division of responsibilities between the chairperson and chief executive officer is clearly established. In general, the chairperson is responsible for supervising the functions and performance of our Board, while the chief executive officer is responsible for the management of the business of our Group. The two roles are performed by Madam Maeck distinctly. We also consider that the current structure does not impair the balance of power and authority between our Board and the management of our Company given the appropriate delegation of the power of our Board and the effective functions of our independent non-executive Directors. However, it is the long-term objective of our Company to have these two roles performed by separate individuals when suitable candidates are identified.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD COMMITTEES

Audit committee

We have established an Audit Committee pursuant to a resolution of our Directors passed on 24 June 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely Mr. Hooi Hing Lee (as Chairperson), Mr. Wang Shih-fang and Mr. Yan Chi Ming. The primary duties of our Audit Committee are, inter alia, to make recommendations to our Board on the appointment and removal of the external auditor, to assist the Board in providing an independent view of the effectiveness of the financial reporting system, internal control procedures and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Remuneration committee

We have established a Remuneration Committee pursuant to a resolution of our Directors passed on 24 June 2018 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three independent non-executive Directors, namely Mr. Yan Chi Ming (as Chairperson), Mr. Wang Shih-fang and Mr. Hooi Hing Lee. The primary duties of the Remuneration Committee are, inter alia, to evaluate and make recommendations to the Board on the policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedures for developing remuneration policy, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management and to make recommendations on the remuneration of our non-executive Directors, and to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure they are consistent with relevant contractual terms and are otherwise reasonable and appropriate.

Nomination committee

We have established a Nomination Committee pursuant to a resolution of our Directors passed on 24 June 2018 with written terms of reference in compliance with paragraph A.5 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Our Nomination Committee consists of three independent non-executive Directors, namely Madam Maeck Can Yue (as Chairperson), Mr. Wang Shih-fang and Mr. Hooi Hing Lee. The primary functions of our Nomination Committee are, inter alia, to review and make proposal with respect to the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement our Company's corporate strategy, to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

individuals nominated for directorships, to assess the independence of independent non-executive Directors, and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

COMPLIANCE ADVISOR

Our Company has appointed Dakin Capital Limited as the compliance advisor pursuant to Rule 3A.19 of the Listing Rules.

Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise on the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including Share issues and Share buy-backs;
- (iii) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on the date which our Company distributes our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme, the purpose of which is to motivate the relevant participants to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. The principal terms of this scheme are summarised in the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

The maximum number of Shares which may be issued, upon exercise of all options that may be granted under the Share Option Scheme and any other option scheme involving the issue or grant of options over Shares or other securities by our Company or any of its subsidiaries or invested entity shall not in aggregate exceed 10% of the aggregate nominal amount of the share

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

capital of our Company in issue as of the Listing Date; and our Board has been authorised to determine the grant of a right to subscribe for Shares under, and pursuant to the terms of the Share Option Scheme and to determine the grantees, number of options to be granted to each grantee and the terms and conditions of such grants pursuant to the terms of, the Share Option Scheme.

DIRECTORS' INTEREST

Save as disclosed in this section, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any directorship in any other listed companies in the three years immediately preceding the date of this prospectus.




To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as disclosed herein, there was no additional matter with respect to the appointments of our Directors that needs to be brought to the attention of the Shareholders, and there was no additional, information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our Group's financial position and results of operations together with our combined financial information during the Track Record Period and the accompanying notes included in the Accountant's Report. The Accountant's Report has been prepared in accordance with HKFRS. Prospective investors should read the whole of the Accountant's Report and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risk and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We develop, manufacture and sell premium kitchen appliances to middle-class and upper-middle-class customers. According to the CIC Report, we were the largest premium radiant stove manufacturer and supplier in the PRC in 2017 in terms of the retail sales value of the PRC's premium radiant stove market.

Our products mainly include Hobs and Stoves (including radiant stoves and induction stoves). Our core brands are "Miji Design" (德國米技) , "Miji Home" (米技生活)  and "Miji Pro" (米技商用) . For the manufacturing of our Hobs and Stoves, we have two factories located in Shanghai, the PRC and one production workshop in Germany with an aggregate gross floor area of approximately 9,100 sq.m. All our Hobs and Stoves comply with the relevant safety standards and mandatory registration requirements such as CCC and QB/T 4404-2012 in the PRC and Germany.

Our products are mainly sold in the PRC. We distribute our products across the PRC through various sales channels comprising mainly our distributors, consignment sales, television platforms, online platforms and corporate clients. We also sell some products in Germany through Amazon Germany.

For each of the three years ended 31 December 2017, we recorded revenue of approximately RMB216.8 million, RMB228.1 million and RMB255.4 million, respectively and net profit of approximately RMB18.3 million, RMB24.1 million and RMB21.1 million, respectively.

Our Directors believe that the growth of our Group experienced during the Track Record Period was primarily driven by (i) the increasing disposable household income of the PRC consumers; (ii) the rising health awareness of the PRC consumers; and (iii) the increasing market penetration of our products through various sales channels, in particular the sales from online platforms.

For further information about our business and operations, please refer to the section headed "Business" in this prospectus.

FINANCIAL INFORMATION

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those factors set out in the section headed “Risk Factors” in this prospectus, in particular:

Economic conditions in China

We derive a substantial portion of our revenue in the PRC. According to the CIC Report, total retail sales value of kitchen appliances in the PRC grew at a CAGR of approximately 10.1% from 2013 to 2017. It is estimated that the total retail sales value of kitchen appliances in the PRC will further grow at a CAGR of approximately 9.5% from 2018 to 2022. The rapid growth of the kitchen appliances market in the PRC is mainly driven by (i) the rapid growth of GDP; (ii) the PRC consumers’ continuous pursuit of a better quality of life, along with their increasing disposable income; and (iii) the fast development of online platforms, which enhances the online shopping experience and significantly boosts the online sales of kitchen appliances in the PRC. If any of these factors changes unexpectedly or unfavorably, our business, financial condition and results of operations may be adversely affected.

Demand for our products

Our Directors believe that the growth of our sales is largely driven by the growing awareness of our brand and the increased consumer interest in premium kitchen appliances that offer attractive appearance and better performance in the PRC.

We recognise that our ability to maintain our brand as well as to identify and adjust our product range to changing customers’ taste and preference is vital to the success of our business. Our business may be affected by our ability to market trends and shifts in customers’ taste and preference.

Further, our business is susceptible to changes in customers’ spending patterns due to changing economic, political and social conditions.

Our ability to control the purchase costs of parts and components and OEM products

Our ability to purchase parts and components and OEM products from our suppliers at commercially reasonable prices directly affects our profitability. Our major parts and components include radiant heaters, mechanical and electronical control parts, induction heat-generating components and ceramic glass tops. On the other hand, we source pots and pans and other products, such as electric kettles and ovens for resale to our customers. For each of the three years ended 31 December 2017, our costs of parts and components and OEM products amounted to approximately RMB106.7 million, RMB109.7 million and RMB113.3 million, accounting for approximately 93.9%, 93.2% and 95.3% of our total cost of sales, respectively. During the Track Record Period, price fluctuations in our major parts and components and OEM

FINANCIAL INFORMATION

products did not have a major impact on our gross profit margins. However, any unexpected price fluctuations in our major parts and components and OEM products may affect our financial results if we are unable to transfer the increased purchase costs to our customers.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our cost of parts and components and OEM products on our cost of sales and profit before tax during the Track Record Period:

Hypothetical fluctuation in cost of parts and components and OEM products	RMB'000, except percentages			
	+1%	+5%	-1%	-5%
<i>Impact on certain items of combined statements of comprehensive income for the year ended</i>				
<i>31 December 2015</i>				
Change in cost of sales	1,067	5,333	(1,067)	(5,333)
Change in profit before tax	(1,067)	(5,333)	1,067	5,333
<i>Impact on certain items of combined statements of comprehensive income for the year ended</i>				
<i>31 December 2016</i>				
Change in cost of sales	1,097	5,483	(1,097)	(5,483)
Change in profit before tax	(1,097)	(5,483)	1,097	5,483
<i>Impact on certain items of combined statements of comprehensive income for the year ended</i>				
<i>31 December 2017</i>				
Change in cost of sales	1,133	5,664	(1,133)	(5,664)
Change in profit before tax	(1,133)	(5,664)	1,133	5,664

Seasonality factor

We are exposed to seasonality on the sales of our products. We generally record higher sales during the period from September to February than that during the period from March to August. The period from September to February is our peak season as we launch certain targeted marketing initiatives during the National Day holidays, Singles' Day online shopping festival, Christmas and Chinese New Year holidays. If we are unable to achieve the expected sales during our peak season, our business and results of operation will be adversely affected.

Market penetration

Our sales volume is directly correlated to the level of our market penetration. We sell our products through various sales channels comprising mainly our distributors, consignment sales, television platforms, online platforms and corporate clients. Our Directors believe that our extensive distribution network has enabled us to achieve rapid market expansion and wide geographical coverage. We will continue to expand our distribution and marketing network, with a view to further increase our market share and deepen market penetration.

FINANCIAL INFORMATION

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information of our Group has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. The significant accounting policies adopted by our Group are set forth in detail in note 2 to the Accountant's Report.

Some of the accounting policies involve judgements, estimates and assumptions made by our management. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Further information regarding the key judgements made in applying our accounting policies are set forth in note 4 to the Accountant's Report.

Set forth below are the most critical accounting policies, judgements and estimates used in the preparation of our financial statements:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, allowances for returns and VAT. Our Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of our Group's activities, as described below. Our Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) Revenue from sales of goods

Revenue from the sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the customer, and the customer has accepted the products and collectability of the related receivables is reasonably assumed.

(ii) Interest income

Interest income is recognised using the effective interest method.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods comprises of parts and components, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. We initially recognise loans and receivables at fair value plus transaction costs and subsequently carry them at amortised cost using the

FINANCIAL INFORMATION

effective interest method. At the end of each reporting period, we assess whether there is objective evidence that a financial asset or a group of financial assets is impaired. We derecognise financial assets when the rights to receive cash flow from the assets have expired or have been transferred and we have transferred substantially all risks and rewards of ownership.

Land use right and property, plant and equipment

Land use right

Land use right is stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost represents consideration paid for the right to use the land on which various plants and buildings are situated. Amortisation of land use right is calculated on a straight-line basis over the period of leases.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined statements of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	Shorter of remaining lease term or 3 years
Furniture and office equipment	3–5 years
Motor vehicles	5 years
Machinery	3–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains, net" in the combined statements of comprehensive income.

FINANCIAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of results of operations

The following table sets out a summary of the results of our Group for the Track Record Period, details of which are set out in the Accountant's Report.

	Year ended 31 December		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue	216,750	228,092	255,384
Cost of sales	<u>(113,611)</u>	<u>(117,675)</u>	<u>(118,879)</u>
Gross profit	103,139	110,417	136,505
Other income	942	3,352	1,354
Other (losses)/gains, net	(392)	17	(682)
Selling and distribution expenses	(60,844)	(59,149)	(71,282)
Administrative expenses	(11,757)	(14,625)	(27,535)
Research and development expenses	<u>(9,713)</u>	<u>(11,852)</u>	<u>(11,693)</u>
Operating profit	<u>21,375</u>	<u>28,160</u>	<u>26,667</u>
Finance income	208	242	240
Finance costs	<u>(22)</u>	<u>(497)</u>	<u>(1,113)</u>
Finance income/(costs), net	<u>186</u>	<u>(255)</u>	<u>(873)</u>
Share of (loss)/profit of an associates	<u>(60)</u>	<u>54</u>	<u>1,021</u>
Profit before income tax	21,501	27,959	26,815
Income tax expense	<u>(3,201)</u>	<u>(3,877)</u>	<u>(5,734)</u>
Profit for the year	<u>18,300</u>	<u>24,082</u>	<u>21,081</u>

FINANCIAL INFORMATION

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to:			
Owners of our Company	17,523	23,896	20,394
Non-controlling interests	777	186	687
	18,300	24,082	21,081
	18,300	24,082	21,081
Earnings per share attributable to owners of our Company for the year			
Basic and diluted	N/A	N/A	N/A
	N/A	N/A	N/A

Revenue

For each of the three years ended 31 December 2017, our total revenue was approximately RMB216.8 million, RMB228.1 million and RMB255.4 million, respectively.

Revenue by product categories

We derive our revenue from the sales of (i) radiant Hobs and Stoves; (ii) induction Hobs and Stoves; (iii) pots and pans; and (iv) other small kitchen appliances and kitchen cabinets. Our radiant Hobs and Stoves is our major product type, contributing over 75% of our total revenue during the Track Record Period. For each of the three years ended 31 December 2017, revenue from the sales of radiant Hobs and Stoves amounted to approximately RMB203.4 million, RMB198.2 million and RMB202.9 million, respectively.

To complement the sales of our major product, we also offer various types of induction Hobs and Stoves, pots and pans and other small kitchen appliances to satisfy the needs of our customers. We sell our products through various sales channels. Our Directors believe that the adoption of multi-channel sales strategy together with the increasing popularity of online shopping and our increased spending on marketing and promotional activities (including more advertisements and product demonstration related to our induction Hobs and Stoves and pots and pans) effectively increase our brand and product awareness and also drives the demand for our induction Hobs and Stoves and pots and pans. Revenue from sales of induction Hobs and Stoves increased from RMB1.4 million for the year ended 31 December 2015 to RMB18.8 million for the year ended 31 December 2017, whereas revenue from sales of pots and pans increased from RMB4.7 million for the year ended 31 December 2015 to RMB20.1 million for the year ended 31 December 2017.

FINANCIAL INFORMATION

Set out below is a breakdown of our revenue by product categories during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Hobs and Stoves (Radiant)	203,436	93.9	198,196	86.9	202,890	79.4
Hobs and Stoves (Induction)	1,369	0.6	6,296	2.8	18,804	7.4
Pots and pans	4,720	2.2	8,879	3.9	20,079	7.9
Others (<i>Note</i>)	7,225	3.3	14,721	6.4	13,611	5.3
Total	216,750	100.0	228,092	100.0	255,384	100.0

Note: Others include small kitchen appliances such as hoods, kettles, bakery ovens and kitchen cabinets.

Revenue by geographical regions

During the Track Record Period, our revenue was substantially derived in the PRC. The following table sets forth a breakdown of our revenue by geographical region and the revenue generated from each region as a percentage of our revenue during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
The PRC	216,180	99.7	226,151	99.2	254,118	99.5
Germany	194	0.1	1,026	0.4	1,266	0.5
Hong Kong	376	0.2	915	0.4	–	–
Total	216,750	100.0	228,092	100.0	255,384	100.0

FINANCIAL INFORMATION

Revenue by sales channels

We sell our products through various channels, mainly including our consignment stores, sales to corporate clients, sales from television platforms and online platform and physical sales locations operated by our distributors. The following table sets forth a breakdown of our revenue by our sales channels during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Direct Sales						
Consignment stores	32,564	15.0	41,444	18.2	56,065	22.0
Corporate clients	6,569	3.0	13,639	6.0	36,979	14.5
Television platform	55,069	25.4	46,126	20.2	59,115	23.1
Subtotal	<u>94,202</u>	<u>43.4</u>	<u>101,209</u>	<u>44.4</u>	<u>152,159</u>	<u>59.6</u>
Distributors						
Online platform	50,386	23.2	54,709	24.0	71,765	28.1
Physical sales locations	13,696	6.3	19,370	8.5	23,809	9.3
Television platform	58,466	27.1	52,804	23.1	7,651	3.0
Subtotal	<u>122,548</u>	<u>56.6</u>	<u>126,883</u>	<u>55.6</u>	<u>103,225</u>	<u>40.4</u>
Total	<u>216,750</u>	<u>100.0</u>	<u>228,092</u>	<u>100.0</u>	<u>255,384</u>	<u>100.0</u>

Consignment stores

For each of the three years ended 31 December 2017, revenue generated from the consignment stores amounted to approximately RMB32.6 million, RMB41.4 million and RMB56.1 million, accounting for approximately 15.0%, 18.2% and 22.0% of our Group's total revenue, respectively. The increasing trend of our revenue from consignment stores was driven by our increased spending on marketing and promotional activities.

Corporate clients

For each of the three years ended 31 December 2017, revenue generated from corporate clients amounted to approximately RMB6.6 million, RMB13.6 million and RMB37.0 million, accounting for approximately 3.0%, 6.0% and 14.5% of our Group's total revenue, respectively. The increase for each of the two years ended 31 December 2017 was mainly attributed to a number of new corporate clients which procured our products for their construction projects.

FINANCIAL INFORMATION

Television platform

For each of the three years ended 31 December 2017, total revenue generated from television platform amounted to approximately RMB113.5 million, RMB98.9 million and RMB66.8 million, respectively. We directly sell our products through television platforms and also to Zhongke Group, a distributor which operates television and online platforms.

Revenue from direct sales amounted to approximately RMB55.1 million, RMB46.1 million and RMB59.1 million, respectively. On the other hand, revenue from sales to Zhongke Group amounted to approximately RMB58.5 million, RMB52.8 million and RMB7.7 million, respectively. Prior to 1 January 2017, we engaged Zhongke Group to distribute our products through a number of television platforms. One of these television platforms, contributed approximately RMB45.9 million and RMB46.2 million to our total revenue for each of the two years ended 31 December 2016, respectively. Such revenue was classified as revenue from our distributors. With effect from 1 January 2017, Zhongke Group surrendered the distributorship of our products on this television platform. Our Group took over the sales through this television platform, and accordingly revenue from this television platform was classified as revenue from our direct sales. Further, our direct sales through this television platform did not begin forthwith in January 2017 as our Group took time to negotiate and work out the logistics of (i) the length of and when the infomercial would be broadcasted; and (ii) the operation of a typical sales through this television platform, before beginning the sales of our products through this television platform. It was not until March 2017 that we commenced our direct sales through this television platform. The aforesaid transition was the major reason for (i) the revenue from our direct sales for each of the two years ended 31 December 2016 lower than that from sales to Zhongke Group; (ii) the decreasing trend in our sales through television platform subsequent to the year ended 31 December 2015.

As mentioned above, our Group took over the sales through a television platform from Zhongke Group and reallocated its internal management resources for direct sales through Hui Mai (the consignee utilising the television platform surrendered by Zhongke Group). Accordingly our revenue from the direct sales through this television platform for the year ended 31 December 2017 significantly increased as compared with 2016.

Online platform

Driven by the rapid development of e-commerce in the PRC, the population of online consumers in the PRC increased from 310.0 million in 2013 to 533.0 million in 2017 and the penetration rate (calculated by dividing the number of online consumers by the number of internet users) also increased from 55.5% in 2014 to 69.0% in 2017, according to the CIC Report. Our Directors believe that the rapid development of e-commerce has increased our brand awareness and the market penetration of our products, which in turn increased the demand on our products during the Track Record Period. In light of the business potential of online shopping, our Group commenced to engage distributors to conduct online sales in 2013. In order to enhance our online sales, our Group has been continuously devoting efforts to identify distributors with marketing capabilities and develop business relationships with them. As at 31

FINANCIAL INFORMATION

December 2015, 2016 and 2017, our Group had 11, 11 and 14 online platform distributors. For each of the three years ended 31 December 2017, revenue generated from online platforms amounted to approximately RMB50.4 million, RMB54.7 million and RMB71.8 million, accounting for approximately 23.2%, 24.0% and 28.1% of our Group's total revenue, respectively.

The following table sets forth the sales volume of our products, revenue contribution to our Group and the sales price range of the products sold by our Group to each of our distributor's online platform during the Track Record Period:

Distributor (Note 1)	Online shop (Note 5)	Sales volume for the year ended 31 December			Revenue contribution to our Group for the year ended 31 December (RMB'000)			Sales price range for the year ended 31 December (RMB) (Note 6)		
		2015	2016	2017	2015	2016	2017	2015	2016	2017
Zhongke Group (Note 7)	中科米技專賣店(天貓) (Zhongke Miji Online Shop*) (Tmall) (the "Zhongke Miji Online Shop")	24,946	21,140	13,560	17,246	14,897	10,907	384-2,949	34-3,846	25-3,846
	米技旗艦店(京東) (Miji Flagship Online Shop*) (JD) (the "Miji JD Online Shop")	30,489	30,129	17,696	21,078	21,231	14,234	384-2,949	34-3,846	25-3,846
	米技廚電旗艦店(京東) (Miji Electrical Kitchen Flagship Online Shop*) (JD)	-	1,580	2,645	-	1,114	2,128	-	34-3,846	25-3,846
	米技官方旗艦店(蘇寧) (Miji Official Flagship Online Shop*) (Suning)	-	-	42	-	-	34	-	-	25-3,846
		55,435	52,849	33,943	38,324	37,242	27,303			

FINANCIAL INFORMATION

Distributor (Note 1)	Online shop (Note 5)	Sales volume for the year ended 31 December			Revenue contribution to our Group for the year ended 31 December (RMB'000)			Sales price range for the year ended 31 December (RMB) (Note 6)		
		2015	2016	2017	2015	2016	2017	2015	2016	2017
Suwang (Note 2)	米技旗艦店(天貓) (Miji Flagship Online Shop*) (Tmall) (the "Miji Tmall Online Shop")	19,156	26,495	1,270	9,806	13,233	721	10-6,838	25-5,556	10-5,074
Distributor A	米技迪諾嘉信專賣店(天貓) (Miji Dinuo Jiaxin Authorised Online Shop*) (Tmall)	2,847	1,830	1,529	1,043	1,083	958	34-4,701	64-4,274	47-3,291
Customer C (Note 8)	韓尚電器專營店(天貓) (Hanshang Electrical Appliances Online Shop*) (Tmall) (the "Hanshang Electrical Appliances Online Shop")	767	1,884	2,088	329	1,159	1,259	34-641	555-855	341-5,470
Bodao (Note 2)	Miji Tmall Online Shop	-	-	37,646	-	-	15,899	-	-	12-7,521
Shenhang (Note 3)	米技(月星家居) (Miji Online Shop*) (Yuexing)	-	-	9,900	-	-	8,881	-	-	341-3,419
Distributor B (Note 3)	米技商城 (buyermall) (Miji Online Shop*) (buyermall)	-	-	4,550	-	-	5,192	-	-	427-2,991
Distributor C (Note 9)	米技乾靖專賣店(天貓) (Miji Qianjing Online Shop*) (Tmall) (the "Miji Qianjing Online Shop")	-	67	12,763	-	51	5,029	-	555-3,077	359-3,419
Distributor D (Note 3)	名品導購網上商城 (Mingpin Online Shop*) (mplife)	-	-	5,120	-	-	3,162	-	-	170-1,069
Other distributors (Note 4)	Other online shops (Note 4)	1,014	2,311	3,234	884	1,941	3,361	42-3,675	60-3,932	42-5,085
		<u>79,219</u>	<u>85,436</u>	<u>112,043</u>	<u>50,386</u>	<u>54,709</u>	<u>71,765</u>			

Notes:

- Save for other distributors, the distributors operating online platforms disclosed in this table accounted for at least 95% of the revenue generated from online platforms during the Track Record Period.
- We commenced engaging Bodao in April 2017 to replace Suwang as our distributor to sell our products through Miji Tmall Online Shop after the end of our cooperation with Suwang. Accordingly, our revenue from Suwang decreased by 94.6% from RMB13.2 million for the year ended 31 December 2016 to RMB0.7 million for the year ended 31 December 2017. Bodao is wholly-owned by a company listed on the Nasdaq Stock Market, with total assets of approximately RMB344.4 million as at 31 December 2016. On the other hand, Suwang is a private company with total assets of approximately RMB192.6 million as at 31 December 2016. Our Directors considered the background and business scale of both Bodao and Suwang and believed that Bodao has more experience and resources on the sales and marketing of our products, and therefore replaced Suwang.
- We commenced our business relationship with this online platform distributor during the year ended 31 December 2017.
- As at 31 December 2015, 2016 and 2017, we had seven other distributors operating, seven other online shops, seven other distributors operating, seven other online shops and six other distributors operating seven other online shops, respectively. For each of the three years ended 31 December 2017, other distributors contributed revenue of approximately RMB0.9 million, RMB1.9 million and RMB3.4 million to our Group, representing approximately 1.8%, 3.5% and 4.7% of our total revenue from online platforms,

FINANCIAL INFORMATION

respectively. The increase in revenue contribution to our Group by other distributors was mainly due to the rapid development of the PRC's online platforms and the increasing penetration rate for online shopping among PRC consumers.

5. The online shops operated by our distributors have a global geographical coverage. Consumers can purchase our products from these online shops at any time and anywhere as long as they have access to the internet.
6. Sales price range covers the selling price of our radiant Hobs and Stoves, induction Hobs and Stoves, pots and pans and other kitchen appliances.
7. During the Track Record Period, Zhongke Miji Online Shop and Miji JD Online Shop experienced a decline in sales. This was mainly because our Group reallocated our production capacity with more focus on serving customers or sales channels with higher gross profit margin and shorter credit periods. Our Directors believe that this strategy enables us to diversify our business risks and also achieve a better return for our Shareholders.
8. For each of the three years ended 31 December 2017, Hanshang Electrical Appliances Online Shop contributed revenue of approximately RMB0.3 million, RMB1.2 million and RMB1.3 million to our Group. We commenced cooperation with Hanshang Electrical Appliances Online Shop in June 2015, which led to the significant increase in the revenue contributed to our Group for the year ended 31 December 2016.
9. We only commenced cooperation with Miji Qianjing Online Shop in December 2016, which led to the significant increase in the revenue contributed to our Group from approximately RMB51,000 for the year ended 31 December 2016 to RMB5.0 million for the year 31 December 2017.

As at 31 December 2017 and as at the Latest Practicable Date, our Group had 14 distributors operating 20 online shops, and 12 distributors operating 18 online shops, respectively. The decrease in the number of distributors operating online shops was due to cessation of our cooperation with two underperforming distributors, which operated two online shops (namely 瑞多滋彩米技專營店(天貓) Ruiduozaicai Miji Online Shop*) (Tmall) and 彤彤媽咪淘寶店 (Tong Tong Mummy Taobao Online Shop*)). Revenue contribution from these two distributors to our Group was below our expectations and they were not able to meet our Group's marketing and brand image requirements, because these two distributors did not allocate sufficient resources to develop and implement an effective marketing campaigns for our products. Our Directors confirm that we did not have any disputes with these two distributors.

The increase in the total revenue generated from online platforms during the Track Record Period are mainly due to (i) more sales and revenue generated by the distributors operating online platforms for the year ended 31 December 2016, as compared to the year ended 31 December 2015; and (ii) the engagement of eight new online platform distributors and the termination of business relationship with five underperforming online platform distributors during the year ended 31 December 2017.

Physical sales locations

For each of the three years ended 31 December 2017, revenue generated from our distributors' physical sales locations amounted to approximately RMB13.7 million, RMB19.4 million and RMB23.8 million, accounting for approximately 6.3%, 8.5% and 9.3% of our Group's total revenue respectively.

FINANCIAL INFORMATION

For each of the three years ended 31 December 2017, the average selling price of our products remained relatively stable. The following table sets forth the sales volume and average selling price by product categories for the periods indicated:

	Year ended 31 December					
	2015		2016		2017	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	<i>units</i>	<i>RMB</i>	<i>units</i>	<i>RMB</i>	<i>units</i>	<i>RMB</i>
Hobs and Stoves (Radiant)	237,147	858	227,627	871	230,193	881
Hobs and Stoves (Induction)	467	2,931	2,140	2,942	6,340	2,966
Pots and pans	15,637	302	29,262	303	65,010	309
Others (<i>Note</i>)	31,241	231	62,775	235	56,541	241

Note: Others include small kitchen appliances such as hoods, kettles, bakery ovens and kitchen cabinets.

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

	Year ended 31 December					
	2015		2016		2017	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	<i>units</i>	<i>RMB</i>	<i>units</i>	<i>RMB</i>	<i>units</i>	<i>RMB</i>
Direct Sales						
Consignment stores	37,792	862	47,628	870	64,227	873
Corporate clients	8,009	820	15,951	855	43,237	855
Television platform	54,190	1,016	53,217	867	87,037	679
Distributors						
Online platform	79,219	636	85,436	640	112,043	641
Physical sales locations	20,067	683	28,310	684	34,593	688
Television platform	85,215	686	91,262	579	16,947	451

The average selling price of our products sold through television platform for the year ended 31 December 2015 was relatively higher as compared with other years during the Track Record Period. This was because we sold more kitchen appliance packages (comprising our radiant Hobs and Stoves, pots and pans and other products) through television platform for the year ended 31 December 2015 and the selling price of kitchen appliance package was higher than that of a single product. For the year ended 31 December 2017, the average selling price of our products sold through television platform decreased as we changed our marketing strategy after our Directors has carefully studied the spending behavior of the customers of television platform. Our Directors are of the view that the customers prefer lower-priced products, and

FINANCIAL INFORMATION

accordingly we introduced more entry-level and mid-range products to television platform during the year ended 31 December 2017.

Cost of sales

Cost of sales primarily consists of the purchase costs of parts and components and OEM products, staff costs, utility expenses and depreciation of property, plant and equipment. The following table sets forth the components of cost of sales and the cost of sales for each component as a percentage of total cost of sales during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	<i>% to cost of sales</i>	<i>RMB'000</i>	<i>% to cost of sales</i>	<i>RMB'000</i>	<i>% to cost of sales</i>
Parts and components and						
OEM products	106,654	93.9	109,665	93.2	113,278	95.3
Direct labour costs	2,269	2.0	1,909	1.6	1,440	1.2
Utility expenses	111	0.1	130	0.1	109	0.1
Amortisation and						
depreciation	635	0.6	674	0.6	561	0.5
Others	3,942	3.4	5,297	4.5	3,491	2.9
	<hr/>		<hr/>		<hr/>	
Total	<u>113,611</u>	<u>100.0</u>	<u>117,675</u>	<u>100.0</u>	<u>118,879</u>	<u>100.0</u>

- ***Cost of parts and components and OEM products.*** Cost of parts and components and OEM products is the largest component of our cost of sales, accounting for approximately 93.9%, 93.2% and 95.3% of our total cost of sales for each of the three years ended 31 December 2017, respectively. Our largest cost component remained relatively stable throughout the Track Record Period, in terms of percentage of its cost to our cost of sales.
- ***Direct labour costs.*** Direct labour costs consist of wages and benefits of our employees directly engaged in production activities.
- ***Utility expenses.*** Utility expenses mainly consist of water and electricity costs.
- ***Amortisation and depreciation.*** Amortisation and depreciation mainly consists of amortisation of land use right and depreciation of equipment used in the production process.

Gross profit

Our gross profit was approximately RMB103.1 million, RMB110.4 million and RMB136.5 million for each of the three years ended 31 December 2017, respectively.

FINANCIAL INFORMATION

Gross profit and gross profit margin by product categories

The following table sets forth the gross profit and gross profit margin by product categories for the periods indicated:

	Year ended 31 December					
	2015		2016		2017	
	Gross profit		Gross profit		Gross profit	
	Gross profit	margin	Gross profit	margin	Gross profit	margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Hobs and Stoves (Radiant)	96,187	47.3	94,667	47.8	108,228	53.3
Hobs and Stoves (Induction)	672	49.1	3,104	49.3	10,186	54.2
Pots and pans	2,677	56.7	5,121	57.7	10,954	54.6
Others (<i>Note</i>)	<u>3,603</u>	49.9	<u>7,525</u>	51.1	<u>7,137</u>	52.4
Total	<u><u>103,139</u></u>	47.6	<u><u>110,417</u></u>	48.4	<u><u>136,505</u></u>	53.5

Note: Others include small kitchen appliances such as hoods, kettles, bakery ovens and kitchen cabinets.

For each of the three years ended 31 December 2017, our Group recorded an overall gross profit margin of approximately 47.6%, 48.4% and 53.5%, respectively. We adopt cost-plus approach to price our products, which takes into account various factors, among others, the cost of our parts and components, direct labour costs and our expected profit margin.

Our overall gross profit margin improved from approximately 47.6% for the year ended 31 December 2015 to approximately 48.4% for the year ended 31 December 2016, and further increased to approximately 53.5% for the year ended 31 December 2017. The increase for the year ended 31 December 2017 was principally due to the change in our sales channel mix. A larger proportion of our sales were made to corporate clients resulting from increase in number of corporate clients, which demanded our products for their construction projects and we charged these customers a higher margin as compared with the customers of other sales channels, except for our consignment stores. In particular, compared to our consignees and distributors, we market to our corporate clients more built-in, instead of portable, Hobs and Stoves as by nature such built-in products are more suitable for construction projects like hotel rooms or residential units with a modern kitchen. Built-in Hobs and Stoves carry a higher profit margin than portable Hobs and Stoves because we are required to deliver a large quantity of products to our corporate clients within their requested time period and we also take into account the labour resources and time cost required for installation. The sales volume units of built-in Hobs and Stoves consequently increase the profit margin of both radiant and induction Hobs and Stoves as a whole.

FINANCIAL INFORMATION

Gross profit and gross profit margin by sales channels

The following table sets forth our gross profit margin by sales channels during the Track Record Period, without taking into account the consignment fee paid to the consignees of consignment stores and television platforms (direct sales), which were recognised as selling and distribution expenses:

	Year ended 31 December					
	2015		2016		2017	
	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin	margin	margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Direct Sales						
Consignment stores	20,568	63.2	26,962	65.1	37,557	67.0
Corporate clients	3,494	53.2	7,712	56.5	20,997	56.8
Television platform	32,670	59.3	26,587	57.6	32,608	55.2
Distributors						
Online platform	21,454	42.6	23,823	43.5	30,901	43.1
Physical sales locations	6,842	50.0	9,867	50.9	12,541	52.7
Television platform	18,111	31.0	15,466	29.3	1,901	24.8
Total	<u>103,139</u>	47.6	<u>110,417</u>	48.4	<u>136,505</u>	53.5

For each of the three years ended 31 December 2017, our Group incurred consignment fee of RMB24.5 million, RMB22.8 million and RMB28.5 million as selling and distribution expenses, respectively. Consignment fee is a major cost component for earning our revenue from consignment sales. For a fair comparison of gross profit margin of all sales channels, the following table sets forth our gross profit margin by sales channel during the Track Record Period, taking into account the consignment fee paid to our consignees:

	Year ended 31 December					
	2015		2016		2017	
	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin	margin	margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Direct Sales						
Consignment stores (Note 1)	15,249	56.0	20,541	58.7	30,534	57.0
Corporate clients	3,494	53.2	7,712	56.5	20,997	53.3
Television platform (Note 2)	13,522	37.6	10,210	34.3	11,165	29.6

FINANCIAL INFORMATION

	Year ended 31 December					
	2015		2016		2017	
	Gross profit		Gross profit		Gross profit	
	Gross profit	margin	Gross profit	margin	Gross profit	margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Distributors						
Online platform	21,454	42.6	23,823	43.5	30,901	43.1
Physical sales locations	6,842	50.0	9,865	50.9	12,541	52.7
Television platform	18,111	31.0	15,466	29.3	1,901	24.8
Total	78,672	36.3	87,617	38.4	108,039	42.3

Notes:

1. For each of the three years ended 31 December 2017, consignment fees related to our direct sales through consignment stores amounted to RMB5.4 million, RMB6.4 million and RMB7.1 million, respectively.
2. For each of the three years ended 31 December 2017, consignment fees related to our direct sales through television platforms amounted to RMB19.1 million, RMB16.4 million and RMB21.4 million, respectively.

Consignment stores

During the Track Record Period, our consignment stores recorded gross profit margin of 56.0%, 58.7% and 57.0%, respectively. Our consignment stores achieved the highest gross profit margin among all sales channels because we sell more high value products in our consignment stores. This can be reflected in the average product selling price of our sales channels. For details of the average product selling price of our sales channel, please refer to the paragraph headed “Revenue – revenue by sales channels” in this section.

Corporate clients

During the Track Record Period, sales to our corporate clients recorded gross profit margin of 53.2%, 56.5% and 53.3%, respectively. Gross profit margin of this sales channel was higher than other sales channels, except our consignment stores, because we are required to deliver a large quantity of products to our corporate clients within their requested time period and we also take into account the labour resources and time cost required for installation.

Television platform

During the Track Record Period, our direct sales through television platform recorded gross profit margin of 37.6%, 34.3% and 29.6%, whereas sales to distributor of television platform recorded gross profit margin of 31.0%, 29.3% and 24.8%, respectively. The gross profit margin of television platform was the lowest among all other sales channels as television platforms charge us and our distributor high consignment fee to cover their operation costs and production costs of the television programmes. During the Track Record Period, consignment fee paid to TV

FINANCIAL INFORMATION

platforms amounted to RMB19.1 million, RMB16.4 million and RMB21.4 million, representing 34.7%, 35.6% and 36.2% of our revenue from television consignment sales.

Our gross profit margin of sales through television platform (including both direct sales and sales to distributors) during the Track Record Period was on a declining trend. This was because more kitchen appliance packages (comprising our radiant Hobs and Stoves, pots and pans and other products) were sold through television platform for the year ended 31 December 2015 and the selling price of kitchen appliance package was higher than that of a single product. For the year ended 31 December 2017, the average selling price of our products sold through television platform decreased as we changed our marketing strategy after our Directors has carefully studied the spending behavior of the customers of television platform. Our Directors are of the view that the customers prefer lower-priced products, and accordingly we introduced more entry-level and mid-range products to television platform during the year ended 31 December 2017.

Online platform and physical sales locations

During the Track Record Period, sales to distributors of online platform recorded gross profit margin of 42.6%, 43.5% and 43.1%, whereas sales to distributors of physical sales locations recorded gross profit margin of 50.0%, 50.9% and 52.7%, respectively.

Other income

Our other income comprised government grant and sundry income. Our other income amounted to approximately RMB0.9 million, RMB3.4 million and RMB1.4 million for each of the three years ended 31 December 2017, respectively.

The table below shows the breakdown of our other income during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Government grant	688	3,238	1,350
Sundry income	254	114	4
Total	<u>942</u>	<u>3,352</u>	<u>1,354</u>

As a leading player in the radiant stove market, we have been gaining support from the Shanghai Municipal Government in recognising our strong efforts to continuously improve our production techniques and upgrade our production facilities. During the Track Record Period, we obtained government grants of approximately RMB0.7 million, RMB3.2 million and RMB1.4 million, respectively.

FINANCIAL INFORMATION

The table below shows the breakdown of government grants during the Track Record Period:

Government department	Material conditions fulfilled/to be fulfilled by the Group	Purpose of the government grant	Year ended 31 December		
			2015 RMB'000	2016 RMB'000	2017 RMB'000
上海市張江高新技術產業開發區管理委員會 (Management Committee of Shanghai Zhangjiang Hi-tech Industrial Development Zone*)	(i) Qualified as a new and high technology enterprise (高新技術企業); and (ii) our Group is required to devote resources to conduct research and development projects and submit the results to the government department for vetting in accordance with the agreed timetable	Subsidise (i) the hiring and training of employees; (ii) economic development; and (iii) the development of the smart phone service platform for our Hobs and Stoves products	–	2,590	1,260
閔行區財政局 (the Finance Department of Minhang District*)	(i) A manufacturing enterprise with innovative research and development abilities; and (ii) our Group is required to devote resources to conduct research and development projects and submit the results to the government department for vetting in accordance with the agreed timetable	Subsidise (i) the development of precise temperature control technology for our radiant stoves; (ii) our research and development projects; and (iii) the hiring and training of employees	688	610	–
Other PRC government departments	N/A	Financial support for economic development and hiring of employees	–	38	90
			688	3,238	1,350

FINANCIAL INFORMATION

Our government grants during the Track Record Period were mainly granted by 上海市張江高新技術產業開發區管理委員會 (Management Committee of Shanghai Zhangjiang Hi-tech Industrial Development Zone*) and 閔行區財政局 (the Finance Department of Minhang District*). These government subsidies were granted as an incentive to our Group, in particular Miji Shanghai, being our principal operating subsidiary and a new and high technology enterprise (高新技術企業), for the devotion of our time and financial resources into research and development and to stimulate the PRC's economic development. The offer of the government grants and their respective amounts are determined by the PRC government departments at their sole discretion, and therefore the government grants may not be recurring. However, given that Miji Shanghai was accredited as a new and high technology enterprise up to 2020 and our Group is committed to continuously enhance our research and development, our Directors are of the view that we will not have any difficulties in the application for government grants in the foreseeable future.

Other (losses)/gains, net

Other gains or losses mainly represent net exchange (loss)/gain, loss on disposal of property, plants and equipment and loss on disposal of subsidiaries. For each of the three years ended 31 December 2017, we recorded other losses of approximately RMB0.4 million, other gains of approximately RMB17,000 and other losses of approximately RMB0.7 million, respectively.

The table below shows the breakdown of other net (losses)/gains during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss on disposal of property, plant and equipment	–	(9)	(31)
Loss on disposal of subsidiaries	–	–	(562)
Net exchange (loss)/gain	(424)	126	14
Others (<i>Note</i>)	32	(100)	(103)
	<u> </u>	<u> </u>	<u> </u>
Total	<u>(392)</u>	<u>17</u>	<u>(682)</u>

Note: Others include donations and adjustment for stocktake discrepancies.

FINANCIAL INFORMATION

Selling and distribution expenses

Selling and distribution expenses mainly represent consignment fee for our direct sales through consignment stores and television platform, sundry expenses of consignment stores, salaries, performance bonuses and employee benefits expenses of our sales and marketing staff, business travelling and entertainment expenses, advertising and promotion expenses, rental expenses and transportation expenses for delivery of our products to our customers. For each of the three years ended 31 December 2017, our selling and distribution expenses amounted to approximately RMB60.8 million, RMB59.1 million and RMB71.3 million, respectively.

The table below shows the breakdown of selling and distribution expenses incurred by us for the periods indicated:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Consignment fee	24,467	22,800	28,466
Sundry expenses of consignment stores	8,988	7,314	8,863
Staff costs	12,758	14,280	15,941
Travelling and entertainment expenses	1,484	1,607	1,156
Advertising and promotion expenses	3,514	3,926	8,766
Rental expenses	256	701	641
Transportation expenses	4,261	3,212	2,597
Decoration expenses	2,240	2,884	1,644
Office expenses	467	418	312
Others (<i>Note</i>)	2,409	2,007	2,896
	<u>60,844</u>	<u>59,149</u>	<u>71,282</u>
Total	<u>60,844</u>	<u>59,149</u>	<u>71,282</u>

Note: Others include motor vehicle expenses, counter set-up expenses, depreciation, repair and maintenance expenses.

Administrative expenses

Administrative expenses mainly represent salaries and benefits of our administrative and management staff, general office expenses, rental expenses, legal and professional fees, depreciation of property, plant and equipment, amortisation of land use right and intangible assets, listing expenses and other miscellaneous administrative expenses. Our administrative expenses for each of the three years ended 31 December 2017 amounted to approximately RMB11.8 million, RMB14.6 million and RMB27.5 million, respectively.

FINANCIAL INFORMATION

The table below shows the breakdown of administrative expenses incurred by us for the periods indicated:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs	5,017	4,403	7,182
Travelling and entertainment expenses	1,217	2,239	1,749
Office expenses	1,203	1,981	959
Amortisation of land use right and depreciation of property, plant and equipment	374	543	325
Amortisation of intangible asset	65	104	202
Legal and professional fees	808	899	1,403
Rental expenses	1,589	2,039	1,252
Listing expenses	–	–	11,097
Insurance expenses	244	359	210
Provision for bad debt	–	–	652
Others (<i>Note</i>)	1,240	2,058	2,504
Total	11,757	14,625	27,535

Note: Others include management fees, other PRC taxes, water and electricity charges, repair and maintenance expenses.

Research and development expenses

For each of the three years ended 31 December 2017, we incurred research and development expenses of approximately RMB9.7 million, RMB11.9 million and RMB11.7 million, respectively. Our Group has been continuously devoting resources into research and development along with our business expansion and the increase in our revenue. For details of our research and development projects, please refer to the paragraph headed “Business – Research and development” in this prospectus.

Finance income

Finance income represents bank interest income. For each of the three years ended 31 December 2017, our finance income were approximately RMB0.2 million, RMB0.2 million and RMB0.2 million, respectively.

Finance costs

Finance costs mainly represent interest on bank borrowings. For each of the three years ended 31 December 2017, our finance costs were approximately RMB22,000, RMB0.5 million and RMB1.1 million, respectively.

FINANCIAL INFORMATION

Income tax expenses

Income tax expenses represent the tax expense arising from the assessable profit generated by our Group in the PRC and Germany and deferred tax. Our Company and subsidiaries are incorporated in different jurisdictions, with different taxation requirements and they are illustrated as follows:

The PRC

Our PRC subsidiaries are subject to EIT rate of 25% on their assessable profits, except for Miji Shanghai (our principal operating subsidiary), which was granted the status of “New and High Technology Enterprise Certificate” and, according to the applicable PRC laws and regulations, were entitled to the reduced EIT rate of 15% during the Track Record Period.

Germany

Germany profits tax is calculated at 30% of the estimated assessable profits for the Track Record Period.

Hong Kong

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the Track Record Period. Our Group had no assessable profits derived in Hong Kong during the Track Record Period.

During the Track Record Period, our income tax expenses amounted to approximately RMB3.2 million, RMB3.9 million and RMB5.7 million, respectively. Our effective income tax rate was approximately 14.9%, 13.9% and 21.4% for each of the three years ended 31 December 2017 respectively. For the year ended 31 December 2017, our effective income tax rate was higher than the reduced EIT rate due to the recognition of listing expenses, which was of capital nature and non-deductible for tax purpose.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATION

Year ended 31 December 2017 compared with year ended 31 December 2016

Revenue

Our revenue increased by approximately 12.0% from approximately RMB228.1 million for the year ended 31 December 2016 to approximately RMB255.4 million for the year ended 31 December 2017. The increase was primarily due to the increase in consignment sales, online sales, direct sales through television platform and sales to corporate clients of construction projects, but partially offset by the decrease in sales from television platforms operated by our distributor.

FINANCIAL INFORMATION

Our sales through consignment stores increased by approximately 35.5% from approximately RMB41.4 million for the year ended 31 December 2016 to approximately RMB56.1 million for the year ended 31 December 2017. During the year ended 31 December 2017, we increased our spending on marketing and promotion activities. Our Directors believe that our increased marketing effort enhanced our brand and product recognition, which in turn increased the sales of radiant stove and other products through our consignment stores.

Our sales from online platform increased by approximately 31.3% from approximately RMB54.7 million for the year ended 31 December 2016 to approximately RMB71.8 million for the year ended 31 December 2017, primarily driven by the growing popularity of our products and the increasing population of online consumers. Further, we had eight new additional online distributors and also replaced five underperforming online distributors during the year ended 31 December 2017. The number of distributors of online platform also increased from 11 as at 31 December 2016 to 14 as at 31 December 2017.

Sales to corporate clients increased by approximately 172.1% from approximately RMB13.6 million for the year ended 31 December 2016 to approximately RMB37.0 million for the year ended 31 December 2017. Such increase was primarily attributed to the increase in the number of corporate clients who purchased our Hobs and Stoves for their construction projects and the average order size from these customers are comparatively larger.

Sales from television platforms operated by our distributors decreased by approximately 85.4% from approximately RMB52.8 million for the year ended 31 December 2016 to approximately RMB7.7 million for the year ended 31 December 2017. Such decrease was primarily attributed to the change in cooperation with Zhongke Group, our largest customer during the Track Record Period. On the other hand, our direct sales from television platforms increased by approximately 28.2% from approximately RMB46.1 million for the year ended 31 December 2016 to approximately RMB59.1 million for the year ended 31 December 2017. This was because Zhongke Group surrendered the distributorship of our products on a television platform with effect from 1 January 2017 and we took over and managed the sales through this television platform ourselves. For further details of the surrender of television platform by Zhongke Group to us, please refer to the paragraph headed “Business – Relationship with Zhongke Group and other distributors”.

Cost of sales

Our cost of sales remained relatively stable at approximately RMB118.9 million for the year ended 31 December 2017, as compared with approximately RMB117.7 million for the year ended 31 December 2016.

Gross profit and gross profit margin

Our gross profit increased by approximately 23.6% from approximately RMB110.4 million for the year ended 31 December 2016 to approximately RMB136.5 million for the year ended 31 December 2017. Our overall gross profit margin increased from approximately 48.4% for the

FINANCIAL INFORMATION

year ended 31 December 2016 to approximately 53.5% for the year ended 31 December 2017, which was mainly due to the change in our sales channel mix. A larger proportion of our sales were made to corporate clients resulting from increase in sales to corporate clients which purchased our Hobs and Stoves for their construction projects and we charged these customers a higher margin as compared with the customers of other sales channel, except for our consignment stores. This is because we have to deliver a large quantity of Hobs and Stoves to them within their requested time period and the labour resources and time cost required for installation.

Other income

Our other income decreased by approximately 58.8% from approximately RMB3.4 million for the year ended 31 December 2016 to approximately RMB1.4 million for the year ended 31 December 2017. The decrease was primarily due to the decrease in government grant received, which was discretionary and non-recurring in nature.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 20.6% from approximately RMB59.1 million for the year ended 31 December 2016 to approximately RMB71.3 million for the year ended 31 December 2017. The increase was primarily due to the increase in the advertising and promotion expenses of approximately RMB4.5 million, as we engaged a new service provider to provide advertising services through its various mobile applications.

Administrative expenses

Our administrative expenses increased by approximately 88.4% from approximately RMB14.6 million for the year ended 31 December 2016 to approximately RMB27.5 million for the year ended 31 December 2017. The increase was primarily due to the recognition of listing expenses of approximately RMB11.1 million.

Finance income

Our finance income for the year ended 31 December 2017 remained relatively stable at approximately RMB0.2 million, as compared with the year ended 31 December 2016.

Finance costs

Our finance costs increased from approximately RMB0.5 million for the year ended 31 December 2016 to approximately RMB1.1 million for the year ended 31 December 2017. The increase was primarily due to our increased level of bank borrowings.

Income tax expense

Our income tax expense increased from approximately RMB3.9 million for the year ended 31 December 2016 to approximately RMB5.7 million for the year ended 31 December 2017. The increase was primarily due to the increase in taxable profits.

FINANCIAL INFORMATION

Profit for the year

As a result of the above factors, our profit for the period decreased from approximately RMB24.1 million for the year ended 31 December 2016 to approximately RMB21.1 million for the year ended 31 December 2017. Net profit margin decreased from approximately 10.6% for the year ended 31 December 2016 to approximately 8.3% for the year ended 31 December 2017.

Year ended 31 December 2016 compared with year ended 31 December 2015

Revenue

Our revenue increased by approximately 5.2% from approximately RMB216.8 million for the year ended 31 December 2015 to approximately RMB228.1 million for the year ended 31 December 2016. The increase was primarily due to the increase in consignment sales and sales to corporate clients, but partially offset by the decrease in sales from television platforms.

Our sales through consignment stores increased by approximately 27.0% from approximately RMB32.6 million for the year ended 31 December 2015 to approximately RMB41.4 million for the year ended 31 December 2016. Our consignment sales for the year ended 31 December 2015 were the lowest during the Track Record Period, primarily attributed to our sales strategy to focus on the development of direct sales from television platforms, which significantly reduced our marketing activities related to consignment sales during the respective year.

Our sales to corporate clients increased by approximately 106.1% from approximately RMB6.6 million for the year ended 31 December 2015 to approximately RMB13.6 million for the year ended 31 December 2016, primarily attributed to the increase in the number of corporate clients which procured our products for their construction projects.

Cost of sales

Our cost of sales increased by approximately 3.6% from approximately RMB113.6 million for the year ended 31 December 2015 to approximately RMB117.7 million for the year ended 31 December 2016. The increase was primarily due to the increase in the cost of parts and components and OEM products which was in line with our increased sales.

Gross profit and gross profit margin

Our gross profit increased by approximately 7.1% from approximately RMB103.1 million for the year ended 31 December 2015 to approximately RMB110.4 million for the year ended 31 December 2016. Our overall gross profit margin remained relatively stable at approximately 47.6% for the year ended 31 December 2015, as compared with approximately 48.4% for the year ended 31 December 2016.

FINANCIAL INFORMATION

Other income

Our other income increased by approximately 277.8% from approximately RMB0.9 million for the year ended 31 December 2015 to approximately RMB3.4 million for the year ended 31 December 2016. The increase was primarily due to a government grant of approximately RMB2.0 million received for the year ended 31 December 2016. Such government grant represented a subsidy for the staff costs incurred by us to employ and retain our key management.

Selling and distribution expenses

Our selling and distribution expenses remained relatively stable at approximately RMB59.1 million for the year ended 31 December 2016, as compared with approximately RMB60.8 million for the year ended 31 December 2015.

Administrative expenses

Our administrative expenses increased by approximately 23.7% from approximately RMB11.8 million for the year ended 31 December 2015 to approximately RMB14.6 million for the year ended 31 December 2016. The increase was primarily due to the increase in our office expenses as well as travelling and entertainment expenses incurred in connection with the 15th anniversary celebration events.

Other (losses)/gains, net

We recorded other losses of approximately RMB0.4 million for the year ended 31 December 2015 and other gains of approximately RMB17,000 for the year ended 31 December 2016.

Finance income

Our finance income remained stable at approximately RMB0.2 million for each of the two years ended 31 December 2016.

Finance costs

Our finance costs increased from approximately RMB22,000 for the year ended 31 December 2015 to approximately RMB0.5 million for the year ended 31 December 2016. The increase was primarily attributable to our increased level of bank borrowings and interest bearing balance with a shareholder.

Income tax expense

Our income tax expense increased by approximately 21.9% from approximately RMB3.2 million for the year ended 31 December 2015 to approximately RMB3.9 million for the year ended 31 December 2016. The decrease was primarily attributable to the increase in taxable profits.

FINANCIAL INFORMATION

Profit for the year

As a result of the above factors, our profit for the year increased by approximately 31.7% from approximately RMB18.3 million for the year ended 31 December 2015 to approximately RMB24.1 million for the year ended 31 December 2016. Net profit margin increased from approximately 8.4% for the year ended 31 December 2015 to approximately 10.6% for the year ended 31 December 2016.

RETAINED EARNINGS

The table below sets forth our retained earnings as at the dates indicated:

	As at			
	1 January 2015 <i>RMB'000</i>	31 December 2015 <i>RMB'000</i>	31 December 2016 <i>RMB'000</i>	31 December 2017 <i>RMB'000</i>
Retained earnings	<u>13,532</u>	<u>13,999</u>	<u>17,900</u>	<u>8,140</u>

As at 1 January 2015, 31 December 2015, 31 December 2016 and 31 December 2017, we recorded retained earnings of approximately RMB13.5 million, RMB14.0 million, RMB17.9 million and RMB8.1 million, respectively. The increment of our retained earnings from 2015 to 2016 was contributed by the profits from our business operations. The significant decrease in our retained earnings as at 31 December 2017 was primarily attributed to the dividend distribution to our Controlling Shareholder amounting to approximately RMB26.4 million.

LIQUIDITY AND CAPITAL RESOURCES

We historically financed our operations through cash generated from our operations and borrowings. Our primary uses of cash include procurement costs of parts and components and OEM products, payment of staff costs and other expenses incurred in our operations. Upon completion the Share Offer, our Directors expect that our source of funds will be a combination of cash generated from our operation and net proceeds from the Share Offer, and we may also rely on debt financing, if necessary.

FINANCIAL INFORMATION

Cash flows

The following table is a condensed summary of our combined statements of cash flows for the periods indicated:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows generated			
from operating activities	13,005	1,496	14,753
Net cash flows used in investing			
activities	(2,961)	(4,644)	(895)
Net cash flows (used in)/generated			
from financing activities	(766)	(10,771)	28,479
Cash and cash equivalents at the			
beginning of the year	23,903	33,121	19,279
Effect of exchange difference	(60)	77	(31)
Cash and cash equivalents at the end			
of the year	33,121	19,279	61,585

Operating activities

Net cash flows from operating activities primarily consist of our profit before tax, adjusted by non-cash and non-operating items, such as depreciation on property, plant and equipment, amortisation on land use rights and intangible assets, finance income, finance cost and the effect of changes in working capital.

Our cash inflow generated from operating activities is primarily derived from the sales of our products, whereas our cash outflow for operating activities mainly related to purchase of parts and components and OEM products and payment of staff costs and other expenses.

For the year ended 31 December 2017, our net cash generated from operating activities amounted to approximately RMB14.8 million, while our cash inflow from operating activities after adjusting for non-cash and non-operating items but before movements in working capital was amounted to approximately RMB29.3 million. The difference of approximately RMB14.5 million was mainly due to (i) increase in inventories of approximately RMB9.4 million which was in line with our increased sales; and (ii) decrease in advance receipts from customers of approximately RMB4.9 million.

For the year ended 31 December 2016, our net cash generated from operating activities amounted to approximately RMB1.5 million, while our cash inflow from operating activities after adjusting for non-cash and non-operating items but before movements in working capital amounted to approximately RMB30.2 million. The difference of approximately RMB28.7 million was mainly due to (i) increase in our trade and bills receivables of approximately RMB22.2 million; and (ii) decrease in balances with the then associate and an associate of approximately RMB3.7 million.

FINANCIAL INFORMATION

For the year ended 31 December 2015, our net cash generated from operating activities amounted to approximately RMB13.0 million, while our cash inflow from operating activities after adjusting for non-cash and non-operating items but before movements in working capital amounted to approximately RMB23.0 million. The difference of approximately RMB10.0 million was mainly due to the increase in inventories of approximately RMB15.0 million, which was in line with our increased sales.

Investing activities

For the year ended 31 December 2017, our net cash used in investing activities amounted to approximately RMB0.9 million which was mainly related to the purchase of property, plant and equipment and intangible assets of approximately RMB1.3 million.

For the year ended 31 December 2016, our net cash used in investing activities amounted to approximately RMB4.6 million which was mainly related to (i) purchase of property, plant and equipment and intangible assets of approximately RMB1.0 million; and (ii) capital injection in an associate of approximately RMB3.9 million.

For the year ended 31 December 2015, our net cash used in investing activities amounted to approximately RMB3.0 million which was mainly related to purchase of property, plant and equipment and intangible assets of approximately RMB3.2 million.

Financing activities

For the year ended 31 December 2017, our net cash generated from financing activities amounted to approximately RMB28.5 million which was mainly related to (i) the net increase in bank borrowings of approximately RMB34.0 million; and (ii) the capital injection from Controlling Shareholders before the reorganisation of approximately RMB43.6 million, partially offset by the repayment to a shareholder of approximately RMB46.9 million.

For the year ended 31 December 2016, our net cash used in financing activities amounted to approximately RMB10.8 million which was mainly related to the repayment to a shareholder of approximately RMB16.4 million.

For the year ended 31 December 2015, our net cash used in financing activities amounted to approximately RMB0.8 million which was mainly related to the dividends paid to a shareholder of approximately RMB1.0 million.

FINANCIAL INFORMATION

Net current assets

The following table sets forth a breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 December			As at
	2015	2016	2017	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)
Current assets				
Inventories	56,599	35,582	44,959	54,113
Trade and bills receivables	18,675	40,835	43,205	50,247
Other receivables, deposits and prepayments	7,527	7,341	18,212	23,756
Amounts due from the then associate	–	3,777	–	–
Amount due from a non-controlling interest	–	61	–	–
Current income tax recoverables	16	–	–	–
Cash and cash equivalents	33,121	19,279	61,585	18,662
Total current assets	115,938	106,875	167,961	146,778
Current liabilities				
Trade and other payables	51,893	48,027	63,086	65,118
Borrowings	–	6,000	40,000	23,000
Amounts due to the then associate and an associate	158	237	148	419
Amount due to a shareholder	17,096	20,511	–	–
Amounts due to non-controlling interests	322	–	2	–
Advance receipts from customers	28,428	10,916	5,988	5,570
Current income tax liabilities	–	1,125	3,919	1,746
Total current liabilities	97,897	86,816	113,143	95,853
Net current assets	18,041	20,059	54,818	50,925

FINANCIAL INFORMATION

Our net current assets position increased from approximately RMB18.0 million as at 31 December 2015 to approximately RMB20.1 million as at 31 December 2016, representing an increase of approximately RMB2.1 million or approximately 11.7%. The increase was mainly due to the change in credit terms we offered to one of our major customers. Taking into consideration our long business relationship with Zhongke Group and our credit assessment results, we started to offer this customer a 12-month credit period during the year ended 31 December 2016, instead of requesting this customer to make full payment before product delivery. Such change increased our trade and bills receivables and decreased our advance receipts from customers, which resulted in the increase in our net current assets as at 31 December 2016.

Our net current assets position increased from approximately RMB20.1 million as at 31 December 2016 to approximately RMB54.8 million as at 31 December 2017, representing an increase of approximately RMB34.7 million or approximately 172.6%. The increase was mainly due to the increase in cash and cash equivalents of approximately RMB42.3 million. Our net current assets position slightly decreased from approximately RMB54.8 million as at 31 December 2017 to approximately RMB50.9 million as at 30 April 2018.

SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the internal resources and banking facilities presently available to our Group, cash generated from our operation, and the estimated net proceeds to be received by us from the Share Offer, our Group has sufficient working capital for our present requirements, that is, for at least the next 12 months commencing from the date of this prospectus.

INDEBTEDNESS

Bank borrowings

Our Group raises bank borrowings to finance our business operations and to fulfil working capital requirements. We repaid our bank borrowings through our internally generated funds. The following table set out our bank borrowings as at the dates indicated:

	As at 31 December			As at
	2015	2016	2017	30 April
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
				(Unaudited)
Carrying amount of secured bank borrowings repayable within one year	<u>–</u>	<u>6,000</u>	<u>40,000</u>	<u>23,000</u>

FINANCIAL INFORMATION

Our outstanding bank borrowings as at 31 December 2015, 2016 and 2017 and 30 April 2018 were nil, approximately RMB6.0 million, RMB40.0 million and RMB23.0 million, respectively. As at 31 December 2017, our outstanding bank borrowings were denominated in RMB, repayable within one year and carried interest at floating rates with the weighted average interest rates of 5.1% per annum.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, total unutilised bank facilities amounted to approximately RMB9.2 million, RMB7.0 million, nil and nil, respectively. As at 31 December 2015 and 2016, banking facilities of approximately RMB9.2 million and RMB13.0 million were granted to our Group and were secured by the personal guarantee from Madam Maeck and the pledge of our Group's land and buildings.

The personal guarantee from Madam Maeck was released by October 2017, when our Group obtained a bank loan of RMB40.0 million (secured on our Group's land and buildings) to replace the previously drawn bank facilities.

Among our outstanding loans as at 31 December 2016 and pursuant to the relevant loan agreement entered into during the year ended 31 December 2015, we were subject to the following debt covenants on outstanding loan balance of RMB6.0 million: (i) our revenue for the year ended 31 December 2015 cannot be less than RMB180 million; (ii) our Group does not suffer any loss during the year ended 31 December 2015; and (iii) our other receivables and our inventory balance during the year ended 31 December 2015 cannot exceed RMB4 million and RMB40.0 million, respectively. In order to maintain sufficient inventories to satisfy our customer demand, our inventories as at 31 December 2015 amounted to approximately RMB56.6 million, which breached one of the aforesaid debt covenants. Notwithstanding that, we were not required to early repay this loan or subject to any penalty imposed by the relevant bank for such breach. This loan was fully repaid by April 2017.

Among our outstanding loans as at 31 December 2017 and 30 April 2018 and pursuant to the relevant loan agreement, our Group was not subject to any debt covenants.

Our Directors confirm that there had been no defaults by our Group in payment of its bank borrowings during the Track Record Period. For details, please refer to note 23 of the Accountant's Report set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

Amounts due to the then associate and an associate

The amounts due to the then associate and an associate was unsecured, interest-free and repayable on demand. The amounts due to the then associate and an associate amounted to approximately RMB0.2 million, RMB0.2 million, RMB0.1 million and RMB0.4 million as at 31 December 2015, 2016 and 2017 and 30 April 2018, respectively. The amounts due to the then associate and an associate as at 30 April 2018 will be fully settled upon Listing.

Amount due to a shareholder

The amount due to a shareholder was unsecured, interest-free, except for RMB16.7 million as at 31 December 2015 which bear interest of 3% per annum, and repayable on demand. The amount due to a shareholder amounted to approximately RMB17.1 million, RMB20.5 million, nil and nil as at 31 December 2015, 2016 and 2017 and 30 April 2018, respectively. The amount due to a shareholder as at 31 December 2016 was fully settled in October 2017.

Amounts due to non-controlling interests

The amounts due to non-controlling interests were unsecured, interest-free and repayable on demand. The amounts due to non-controlling interests amounted to approximately RMB0.3 million, nil, RMB2,000 and nil as at 31 December 2015, 2016 and 2017 and 30 April 2018, respectively. The amounts due to non-controlling interests as at 31 December 2017 was fully settled in 2018.

Contingent liabilities

As at 31 December 2015, 2016 and 2017, we did not have any material contingent liabilities.

As at 30 April 2018, being the latest practicable date for this indebtedness statement, save as disclosed in this section, we do not have any debt securities, term loans, borrowings or indebtedness in the nature of borrowing, mortgages, charges, debenture, contingent liabilities or guarantees. Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there are no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 30 April 2018 and up to the date of this prospectus. Our Directors confirmed that as at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing.

FINANCIAL INFORMATION

COMMITMENTS

Operating lease commitments

Our Group as lessee

Our Group leased office premises and warehouses under non-cancellable operating lease agreements with lease terms ranging from one year to three years, which were renewable at the ended of the lease period at market rate. Set out below is the future aggregate minimum lease payments under non-cancellable operating lease:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
No later than one year	2,936	2,555	1,869
Later than one year but no later than five years	2,184	119	1,866
	<u>5,120</u>	<u>2,674</u>	<u>3,735</u>

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Our Group did not have any material off-balance sheet commitments and arrangements.

DESCRIPTION ON SELECTED ITEMS FROM OUR COMBINED STATEMENTS OF FINANCIAL POSITION

Land use right and property, plant and equipment

The table below shows the net book value of our land use right and property, plant and equipment as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Land use right	1,027	1,000	973
Buildings	4,561	4,227	3,893
Leasehold improvements	1,271	680	350
Furniture, fixtures and office equipment	1,442	954	1,023
Motor vehicles	591	709	653
Machinery	997	855	731
	<u>9,889</u>	<u>8,425</u>	<u>7,623</u>

FINANCIAL INFORMATION

Inventories

Our inventory mainly comprised (i) parts and components, such as radiant heaters and ceramic glass; and (ii) finished goods and OEM products sourced from our suppliers.

The table below sets out the summary of our inventory balances as at the dates indicated and turnover days for the indicated periods:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Parts and components	9,422	7,109	7,961
Finished goods and OEM products	47,177	28,473	36,998
	56,599	35,582	44,959
	Year ended 31 December		
	2015	2016	2017
Average inventory turnover days	157.8	143.0	123.6

Note: Average inventory turnover days is calculated based on the average balance of inventory divided by cost of sales for the relevant year and multiplied by 365 days for the year ended 31 December 2015, 2016 and 2017. Average balance of inventory is calculated by dividing the sum of inventory at the beginning and the end of the year by two.

Our inventories amounted to approximately RMB56.6 million, RMB35.6 million and RMB45.0 million as at 31 December 2015, 2016 and 2017, respectively. For each of the three years ended 31 December 2017, our average inventory turnover days were approximately 157.8 days, 143.0 days and 123.6 days, respectively.

The decrease in our inventories as at 31 December 2016 and the shortened average inventory turnover days for the respective year was primarily attributed to the change in cooperation with Zhongke Group mentioned above. Our Group reduced the inventories as at 31 December 2016 to minimise the risk of liquidity and stock obsolescence.

In 2017, our Group took over the sales through the television platform surrendered by Zhongke Group and our direct sales through television platform gradually picked up in the second half of 2017. In light of the improvement in our sales through television platform, we increased our inventory level as at 31 December 2017. Our average inventory turnover days for the year ended 31 December 2017 decreased to 123.6 days due to our increased sales.

We actively monitor our inventory levels for slow moving inventory, obsolescence or declines in market value. Please refer to the paragraphs headed “Business – Production plan” and “Business – Inventory management for consignment stores” in this prospectus for further details. We did not have obsolete and slow-moving inventories and therefore no provision was made for each of the three years ended 31 December 2017, respectively.

FINANCIAL INFORMATION

Inventories amounted to approximately RMB41.6 million, representing approximately 92.4% of the inventory balance as at 31 December 2017, have been used or sold as at 30 April 2018.

Trade and bills receivables

As at 31 December 2015, 2016 and 2017, our trade and bills receivables were approximately RMB18.7 million, RMB40.8 million and RMB43.2 million, respectively. The table below sets out a breakdown of our trade and bills receivables as at the dates indicated and the turnover days of trade and bills receivables for the indicated periods:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	11,675	40,835	43,205
Bills receivables	7,000	–	–
	<u>18,675</u>	<u>40,835</u>	<u>43,205</u>
Total	<u><u>18,675</u></u>	<u><u>40,835</u></u>	<u><u>43,205</u></u>
	Year ended 31 December		
	2015	2016	2017
Average trade and bills receivables turnover days (<i>Note</i>)	26.8	47.6	60.1

Note: Average trade and bills receivables turnover days is calculated based on the average balance of trade and bills receivables divided by revenue for the relevant year and multiplied by 365 days for the year ended 31 December 2015, 2016 and 2017. Average balance of trade and bills receivables is calculated by dividing the sum of trade and bills receivables at the beginning and the end of the year by two.

We generally grant credit period ranging from 30 to 90 days for consignment sales; 30 to 60 days for television sales; and up to six months for corporate sales. For online sales, sales to distributors and new customers with smaller business scale, we generally require them to make full payment before product delivery. In order to minimise our credit risk, we carefully assess the background information and credit worthiness of our customers before we decide to grant them credit periods. Further, we also closely monitor the payment record of our customers and regularly review the credit terms we granted to them. Our credit assessment is based on various factors, including but not limited to the financial strength, size of the business and payment history of our customers and length of their business relationship with us. Our trade receivables amounted to approximately RMB11.7 million, RMB40.8 million and RMB43.2 million as at 31 December 2015, 2016 and 2017, respectively. Bills receivables as at 31 December 2015 was approximately RMB7.0 million. We allow certain customers to settle their purchases by way of bank acceptance bills. Such bills receivables are generally settled by the relevant banks within three months.

FINANCIAL INFORMATION

Taking into consideration our long business relationship with Zhongke Group and our credit assessment results, we offered this customer a 12-month credit period during the year ended 31 December 2016, instead of requesting this customer to make full payment before product delivery. Accordingly, our trade receivables significantly increased as at 31 December 2016. Our trade receivables further increased as at 31 December 2017, mainly due to the increase in sales to customers of construction projects, which we granted credit period of six months to them.

Our average trade and bills receivables turnover days for each of the three years ended 31 December 2017 were approximately 26.8 days, 47.6 days and 60.1 days, respectively. Our average trade and bills receivables turnover days for the year ended 31 December 2016 and 2017 lengthened due to the increase in our trade and bills receivables for the reasons mentioned above.

Ageing analysis and subsequent settlement

The following table sets out the ageing analysis of our trade and bills receivables, based on the invoice date, as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Less than 30 days	16,253	24,545	37,621
31 to 60 days	926	14,652	1,714
61 to 90 days	176	688	255
Over 90 days	1,320	950	3,615
	<u>18,675</u>	<u>40,835</u>	<u>43,205</u>

The following table sets out the ageing analysis of trade receivables which were past due but not impaired based on due date, as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Overdue			
Less than 30 days	169	2,104	270
31 to 60 days	202	1,278	39
61 to 90 days	601	8	40
Over 90 days	492	660	4
	<u>1,464</u>	<u>4,050</u>	<u>353</u>

FINANCIAL INFORMATION

As at 31 December 2015, 2016 and 2017, the trade receivables that were past due but not impaired were approximately RMB1.5 million, RMB4.1 million and RMB0.4 million, respectively. They were related to a number of independent customers that have a good track record with our Group. Based on past experience, our management believe that there has not been a significant change in credit quality of those independent customers and these balances are considered fully recoverable, and hence no provision for impairment is necessary. Our Group did not hold any collateral over these balances.

Our management closely monitors the recoverability of overdue trade receivables on a regular basis and provides for impairment for these trade receivables when there are indications that the balances may not be recoverable. For each of the three years ended 31 December 2017, we recognised provision for impairment of trade and bills receivables of nil, nil and approximately RMB0.7 million, respectively.

As at 30 April 2018, approximately RMB39.3 million, or approximately 91.0% of the trade receivables outstanding as at 31 December 2017 had been subsequently settled.

Other receivables, deposit and prepayments

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments to suppliers	3,673	3,274	3,923
Prepayments for advertising expenses	–	–	6,250
Listing expenses	–	–	3,214
Deposits paid to consignment stores	2,279	3,018	2,169
VAT recoverable	29	94	235
Other receivables	1,546	955	2,421
	<hr/>	<hr/>	<hr/>
Total	<u>7,527</u>	<u>7,341</u>	<u>18,212</u>

Our prepayments primarily consist of the prepayments for inventories and advertising expenses. Our deposits and other receivables primarily consist of rental deposits.

Other receivables, deposit and prepayments as at 31 December 2015, 2016 and 2017 were approximately RMB7.5 million, RMB7.3 million and RMB18.2 million, respectively. The increase of other receivables, deposit and prepayments as at 31 December 2017 was mainly attributed to (i) the increase in prepayments to advertising companies for the organisation of marketing and promotional activities for us; and (ii) deferred listing expenses.

FINANCIAL INFORMATION

Trade and other payables

The following table sets forth a breakdown of our Group's trade and other payables as at dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	40,587	25,443	34,253
Other payables and accruals	11,306	22,584	28,833
	<u>51,893</u>	<u>48,027</u>	<u>63,086</u>
Total	<u>51,893</u>	<u>48,027</u>	<u>63,086</u>

As at 31 December 2015, 2016 and 2017, our trade payables amounted to approximately RMB40.6 million, RMB25.4 million and RMB34.3 million, respectively. The increase of our trade payables as at 31 December 2017 was attributed to the increase in purchases of parts and components and OEM products to satisfy the increasing customer demand.

The following is an ageing analysis of trade payables, based on the invoice date, as at the dates indicated and the turnover days for the indicated periods:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
1 to 30 days	31,577	16,347	24,325
31 to 60 days	5,717	6,780	5,887
61 to 90 days	1,311	221	3,915
Over 90 days	1,982	2,095	126
	<u>40,587</u>	<u>25,443</u>	<u>34,253</u>
	<u>40,587</u>	<u>25,443</u>	<u>34,253</u>

	Year ended 31 December		
	2015	2016	2017
Average trade payables turnover days (Note)	121.4	102.4	91.6

Note: Average trade payables turnover days is calculated based on the average balance of trade payables divided by cost of sales for the relevant year and multiplied by 365 days for the year ended 31 December 2015, 2016 and 2017. Average balance of trade payables is calculated by dividing the sum of trade payables at the beginning and the end of the year by two.

FINANCIAL INFORMATION

Our suppliers generally grant credit period of not exceeding 60 days to us. Our average trade payables turnover days decreased from approximately 121.4 days for the year ended 31 December 2015 to approximately 102.4 days for the year ended 31 December 2016. The decrease for the year ended 31 December 2016 was mainly because we have decided to keep fewer inventories as at the respective year-end for the abovementioned reasons. Our average trade payables turnover days further decreased to approximately 91.6 days for the year ended 31 December 2017 due to the increase in trade payables to a lesser extent as compared with our cost of sales. Our average trade payables turnover days during the Track Record Period were longer than the credit periods granted by our suppliers. Despite that, our Directors confirm that (i) we have no disputes with our suppliers; and (ii) there had been no material defaults by our Group in the settlement of our trade payables during the Track Record Period.

As at 30 April 2018, approximately RMB31.7 million, or approximately 92.4% of the trade payables outstanding as at 31 December 2017 had been subsequently settled.

Other payables and accruals

The following table set out our Group's other payables and accruals as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accrued staff costs	3,093	2,983	3,667
Accrual for social security costs	6,034	6,361	6,823
VAT payable	299	11,182	9,825
Accrued Listing expenses	–	–	5,258
Deposit from customers	1,266	1,722	1,730
Other payables	614	336	1,530
	<u>11,306</u>	<u>22,584</u>	<u>28,833</u>
Total	11,306	22,584	28,833

As at 31 December 2015, 2016 and 2017, our other payables and accruals amounted to approximately RMB11.3 million, RMB22.6 million and RMB28.8 million, respectively. The significant increase in other payables and accruals as at 31 December 2016 which was primarily due to the increase in VAT payable in respect of the sales to Zhongke Group. We granted a 12-month credit period to this customer during the year ended 31 December 2016. As at 31 December 2016, our Group has not yet issued VAT invoices and settled the respective VAT payables for the sales to Zhongke Group in the same year, because the relevant sales amounts were not yet overdue. These VAT payable was settled during the year ended 31 December 2017.

Our Directors confirm that there had been no material defaults by our Group in payments of our other payables and accruals during the Track Record Period.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditure mainly on property, plant and equipment and intangible asset. Our capital expenditures were approximately RMB3.2 million, RMB1.0 million and RMB1.3 million for each of the three years ended 31 December 2017, respectively. These capital expenditures were funded by the cash flows from our operating activities.

MAJOR FINANCIAL RATIOS

The table below sets forth our major financial ratios as at or for the year ended 31 December 2015, 2016 and 2017:

	As at/for the year ended 31 December		
	2015	2016	2017
Current ratio (times) (Note 1)	1.2	1.2	1.5
Quick ratio (times) (Note 2)	0.6	0.8	1.1
Gearing ratio (Note 3)	0.6	0.8	0.6
Debt to equity ratio (Note 4)	N/A	0.2	N/A
Interest coverage (times) (Note 5)	978.3	57.3	25.1
Return on assets (%) (Note 6)	13.8	19.9	11.2
Return on equity (%) (Note 7)	61.0	71.5	29.8

Notes:

1. Current ratio is calculated by dividing current assets by current liabilities.
2. Quick ratio is calculated by dividing current assets after subtraction of inventories by current liabilities.
3. Gearing ratio is calculated by dividing total debt by total equity. Total debt is defined to include payables incurred not in the ordinary course of business.
4. Debt to equity ratio is calculated by dividing net debt by total equity. Net debt is defined to include all borrowings net of cash and cash equivalents. We had a net cash position as at 31 December 2015 and 2017.
5. Interest coverage is calculated by dividing profit before interest and tax by interest.
6. Return of assets is calculated by dividing net profit attributable to the owners of the Company with the closing balance of total assets.
7. Return of equity is calculated by dividing net profit attributable to the owners of the Company with the closing balance of total equity.

Current ratio and quick ratio

Our current ratio remained stable at approximately 1.2 as at 31 December 2015 and 2016, and increased to approximately 1.5 as at 31 December 2017, which was mainly due to an increase in our cash and cash equivalents during the year ended 31 December 2017.

FINANCIAL INFORMATION

Our quick ratio increased from approximately 0.6 as at 31 December 2015 to approximately 0.8 as at 31 December 2016, which was mainly due to a decrease in our advance receipts from customers, resulting in a lower level of current liabilities as at 31 December 2016. Our quick ratio further increased to approximately 1.1 as at 31 December 2017, which was mainly due to an increase in our cash and cash equivalents, resulting in a higher level of current asset as at 31 December 2017.

Gearing ratio

Our gearing ratio as at 31 December 2015, 2016 and 2017 remained relatively stable at approximately 0.6, 0.8 and 0.6, respectively.

Debt to equity ratio

We had a net cash position as at 31 December 2015 and 2017. As at 31 December 2016, our debt to equity ratio was approximately 0.2.

Interest coverage

Our interest coverage decreased from approximately 978.3 times for the year ended 31 December 2015 to approximately 57.3 times for the year ended 31 December 2016. The decrease was due to the increase in interest expense from increased level of bank borrowings and interest bearing balance with our Controlling Shareholder. Our interest coverage further decreased to approximately 25.1 times for the year ended 31 December 2017, which was mainly due to the increase in interest expense from increased level of bank borrowings.

Return on assets

Return on assets was approximately 13.8%, 19.9% and 11.2% for each of the three years ended 31 December 2017, respectively. The increase in our return on assets for year ended 31 December 2016 was primarily due to increase in net profit attributable to the owners of our Company. Our return on assets decreased to approximately 11.2% for the year ended 31 December 2017, which was primarily due to the combined effect of increase in our total asset mainly resulting from the increase in our cash and cash equivalents and decrease in net profit attributable to owners of our Company mainly resulting from the recognition of listing expenses in this year.

Return on equity

Return on equity was approximately 61.0%, 71.5% and 29.8% for each of the three years ended 31 December 2017, respectively. The increase in our return on equity for the year ended 31 December 2016 was primarily due to increase in net profit attributable to our owners of the Company. Our return on equity decreased to approximately 29.8% for the year ended 31

FINANCIAL INFORMATION

December 2017, which was primarily due to the combined effect of increase in our total equity and decrease in net profit attributable to owners of our Company mainly resulting from the recognition of listing expenses.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in note 28 of the Accountant's Report set out in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms that were no less favourable to us than terms available from independent third parties which are fair and reasonable and in the interest of the Shareholders as a whole.

PROPERTY INTERESTS

During the Track Record Period, we owned a factory in the PRC and leased certain properties in the PRC, HK and Germany for our business operations. For details of our self-owned and leased properties, please refer to the paragraph headed "Business – Properties" in this prospectus.

As at the Latest Practicable Date, no single property interest forming part of our Group's non-property activities had a carrying amount of 15% or more of our total assets. Thus, this prospectus is exempted from compliance with the requirements of rules 5.01A and 5.01B of the Listing Rules and the requirements of section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, with respect to the inclusion of a property valuation report in this prospectus.

Save as disclosed above, our Group did not have any other property interests as at the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

Please refer to the section headed "Unaudited pro forma financial information" in Appendix II to this prospectus for details.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation, save for investment holding and the transactions related to the Reorganisation. Accordingly, our Company has no reserve available for distribution to the Shareholders as at the Latest Practicable Date.

FINANCIAL INFORMATION

DIVIDENDS

Dividends may be paid out by ways of cash or by other means we consider appropriate. For each of the three years ended 31 December 2017, our Group declared dividends of approximately RMB16.7 million, RMB19.8 million and RMB26.4 million, respectively. As at the Latest Practicable Date, the dividends declared during the two years ended 31 December 2016 had been fully paid and the dividends declared during the year ended 31 December 2017 had been fully settled by way of capital injection from Controlling Shareholders. Payment of any future dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors consider relevant.

The declaration, payment and amount of any future dividends will be subject to our constitutional documents including, where necessary, the approval of our Shareholders. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

LISTING EXPENSES

Listing expenses directly attributable to the issue of new shares are recognised in equity, otherwise they are recognised as administrative expenses.

The total estimated listing expenses in connection with the Share Offer was approximately RMB27.4 million. For the year ended 31 December 2017, our Group incurred listing expenses of approximately RMB14.3 million, of which approximately RMB11.1 million was charged to the combined statements of comprehensive income and RMB3.2 million was recognised as prepayment in the combined statements of financial position. For the year ending 31 December 2018, we estimate that the listing expenses to be charged to the combined statements of comprehensive income will amount to RMB9.8 million. The remaining listing expenses of approximately RMB3.3 million will be charged against equity upon successful Listing under relevant accounting standards.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, save as disclosed above, as at the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

Our Group is exposed to various financial risks, including cash flow and fair value interest rate risk, foreign currency risk, credit risk and liquidity risk in the ordinary course of our business. For further details of our financial risk management, please refer to note 3 in the Accountant's Report.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

There was no material adverse change in the general economic and market conditions in the PRC or the industry in which we operate that had affected or would affect our business operations or financial condition materially and adversely. Our Directors confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial positions and business prospects since 31 December 2017. There has been no event since 31 December 2017 which would materially affect the information shown in our financial statements included the Accountant's Report.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

Please refer to the section headed "A. Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" set out in Appendix II to this prospectus for details.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR LISTING

Our Directors believe that the Listing will facilitate the implementation of our business strategies for continued growth and further business expansion. To continue to take advantage on the growth potential of electric stove market in the PRC, we intend to strengthen our position in the PRC by implementing our business strategies. For the details of such strategies, please see the paragraph headed “Business – Our strategies and future plans” in this prospectus. To achieve these, our Directors consider that additional funding from Listing will be crucial and beneficial to our Group after having taken consideration of the following:

1. A public listing status will enhance our brand, corporate profile and recognition, which in turn will provide higher confidence to our existing and new customers and business partners; a public listing status also provides better corporate governance, transparent financial disclosures and regulatory supervision.
2. According to the CIC Report, we were the largest premium radiant stove manufacturer and supplier in the PRC in 2017 in terms of the retail sales value of the PRC’s premium radiant stove market. We intend to maintain our leading position and increase our market share in the market of China’s premium radiant stove.
3. During the Track Record Period, our revenue from corporate clients amounted to approximately RMB6.6 million, RMB13.6 million and RMB37.0 million, respectively. On the other hand, our consignment sales amounted to approximately RMB32.6 million, RMB41.4 million and RMB56.1 million, respectively. Our Directors believe that our Group can expand our consignment network and corporate clients base to enhance our sales performance if we can strengthen our available operational and financial resources. To achieve this, we need more manpower and funds to establish new consignees and engage new corporate clients.
4. To enhance our product portfolio, we intend to devote more resources to research and development. We entered into a contract with 上海市張江高新技術產業開發區管理委員會 (Management Committee of Shanghai Zhangjiang Hi-tech Industrial Development Zone*) for the project of 米技電爐具智能化服務平臺建設 (Establishment of Smart Service Platform for Miji Electric Stoves*) for the term commencing from 1 January 2017 to 31 December 2018 for developing the smart phone service platform for our Hobs and Stoves products. To maximise synergies of the project, we need additional funds.
5. During the Track Record Period, guarantees and securities were provided for certain of our bank borrowings of our Group. For further details, please see the paragraph headed “Financial Information – Indebtedness” and note 23 of the Accountant’s Report in Appendix I to this prospectus. Our Directors consider that as part of our Group consists of private companies, our Company, without a listing status, would be difficult to obtain bank borrowings at reasonable financing costs or without additional guarantee provided by our Controlling Shareholders.

FUTURE PLANS AND USE OF PROCEEDS

6. As at 30 April 2018, we had outstanding bank loans of approximately RMB23.0 million. These bank loans were subject to an interest rate of approximately 5.2% per annum and annual finance costs on these bank loans amounted to approximately RMB1.2 million. We intend to use a portion of the net proceeds of the Share Offer to partially repay our bank loans. This would reduce our finance costs, increase our profit margin and improve our gearing ratio, which is beneficial to our Company and Shareholders.

On the other hand, based on our financial results for the year ended 31 December 2017, our average monthly operating expenses (being our costs of sales, selling and distribution expenses, administrative expenses and research and development expenses divided by 12 months) amounted to approximately RMB19.1 million. As at 30 April 2018, we had cash and cash equivalents of approximately RMB18.7 million, bank loans of approximately RMB23.0 million and no unutilised bank facilities. Further, we generally grant credit period ranging from 30 to 90 days for consignment sales; 30 to 60 days for television sales; and up to six months for corporate sales. There may be a timing mismatch between the payments received from our customers and the settlement of our operating expenses. As such, our Directors consider that (i) the current financial resources available to our Group is only sufficient for the present scale of our business turnover and there are imminent funding needs for our expected business growth; and (ii) combination of equity financing and debt financing will be more beneficial to our Group as it can maximise the return for our Shareholders.

7. We believe that our internal control and corporate governance practices could be further enhanced after Listing.
8. Human resource is an important asset to our business and it is important for us to recruit, motivate and retain sufficient and quality manpower, and our Directors believe that our ability to offer an equity-based incentive program to our employees after Listing that correlates their performance to our business will help us achieve such goal.
9. The Listing will enhance the liquidity of our Shares which will be freely traded on the Stock Exchange as compared to the limited liquidity of our Shares as a private company; and the Listing will offer our Company a broader shareholder base which could lead to a more liquid market in the trading of our Shares.

FUTURE PLANS

Please see the paragraph headed “Business – Our strategies and future plans” in this prospectus for a detailed description of our future plans.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

The table below sets for the estimate of the net proceeds of the Share Offer which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Share Offer:

	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Assuming an Offer Price of HK\$0.33 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	Approximately HK\$94.0 million	Approximately HK\$111.8 million
Assuming an Offer Price of HK\$0.36 per Offer Share (being the high end of the Offer Price range stated in this prospectus)	Approximately HK\$103.5 million	Approximately HK\$122.8 million
Assuming an Offer Price of HK\$0.30 per Offer Share (being the low end of the Offer Price range stated in this prospectus)	Approximately HK\$82.1 million	Approximately HK\$98.2 million

We intend to use the net proceeds of the Share Offer of approximately HK\$94.0 million for the following purposes (assuming an Offer Price of HK\$0.33 per Share, being the mid-point of the Offer Price range stated in the prospectus, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Share Offer, and the Over-allotment Option is not exercised):

- (i) approximately 32.1%, or HK\$30.2 million, will be used for establishment of showrooms in major cities of the PRC. We plan to establish four showrooms by the end of 31 December 2020, this will include:
- approximately 3.2% or HK\$3.0 million for the establishment and operation of a showroom in Shanghai in 2018;
 - approximately 10.9% or HK\$10.2 million for the establishment of a showroom in each of Beijing and Nanjing in 2019 and operation of the three showrooms;
 - approximately 12.1% or HK\$11.4 million for the establishment of a showroom in Shenzhen in 2020 and operation of the four showrooms; and
 - approximately 5.9% or HK\$5.6 million for operation of the four showrooms in 2021.

FUTURE PLANS AND USE OF PROCEEDS

The table below sets forth our planned use of proceeds in connection with the establishment of each showroom:

	Shanghai <i>(HK\$' million)</i>	Beijing <i>(HK\$' million)</i>	Nanjing <i>(HK\$' million)</i>	Shenzhen <i>(HK\$' million)</i>	Total <i>(HK\$' million)</i>
Capital expenditure related to establishment of showrooms					
– Leasehold improvements	0.6	0.6	0.6	0.6	2.4
– Merchandising displays	1.0	1.0	1.0	1.0	4.0
Major operating expenses of showrooms					
– Rental expenses and building management fees	4.25	4.25	4.25	4.25	17.0
– Salaries of five staff per showroom	1.7	1.7	1.7	1.7	6.8
	<u>7.55</u>	<u>7.55</u>	<u>7.55</u>	<u>7.55</u>	<u>30.2</u>

These showrooms will be operated on leased properties and we expect that relevant terms of lease will range from three to five years. For our rationale of establishing the showrooms, please refer to the paragraph headed “We plan to establish showrooms and consignment stores in selected major cities in the PRC” in the section headed “Business” in this prospectus.

Apart from the net proceeds of the Share Offer allocated, the operation of each showroom will be funded by its profit after the recovery of capital expenditure. We expect that we will recover our planned capital expenditure on each showroom in two years from the date of its establishment.

- (ii) approximately 23.9%, or HK\$22.5 million, will be used for partial repayment of bank loans. Our Group obtained bank loans of the aggregated amounts of RMB23.0 million in March and April 2018, of which RMB13.0 million is secured, subject to floating interest rate of approximately 5.2% per annum, and repayable in March 2019; and the remaining RMB10.0 million is unsecured, subject to floating interest rate of approximately 5.2% per annum, and repayable in April 2019. We primarily used the proceeds of this loan to finance our daily operations.
- (iii) approximately 23.8%, or HK\$22.4 million, will be used for expanding and strengthening our sales and marketing capacities, this will include:
- approximately 12.0% or HK\$11.3 million for the recruitment of additional managerial and sales staff, which shall include (i) two sales managers with at

FUTURE PLANS AND USE OF PROCEEDS

least five years of experience in sales and marketing for the television platforms (expected to commence in July 2018 with an average monthly salary of RMB16,700); (ii) two sales managers with at least five years of experience in sales and marketing for the online platforms (expected to commence in July 2018 with an average monthly salary of RMB16,700); (iii) three officers with relevant experiences in sales and marketing for online platforms (expected to commence in July 2018 with an average monthly salary of RMB8,300); (iv) two engineering managers with at least five years of relevant experience in hotel project management and renovation works (expected to commence in July 2018 with an average monthly salary of RMB16,700), whose responsibilities include, among others, overseeing sales and marketing activities and execution of construction projects with our corporate clients such as real estate and hotel developers; (v) three officers with relevant experience in hotel project management and renovation works (expected to commence in July 2018 with an average monthly salary of RMB8,300); (vi) one sales manager with at least five years of experience in retail sales and marketing for electronics and electrical appliances and household products (expected to commence in January 2019 with an average monthly salary of RMB16,700), for expanding existing sales channels and developing new sales channels such as bulk sales to corporate clients over the next three years; and (vii) two officers with experience in retail sales and marketing for electronics and electrical appliances and household products (expected to commence in January 2019 with an average monthly salary of RMB8,300), for expanding existing sales channels and developing new sales channels such as bulk sales to corporate clients over the next three years. The average monthly salary of the additional managerial and sales staff we plan to recruit is commensurate with our historical range of salary.

- approximately 8.5% or HK\$8.0 million for placing advertisements through television, online platforms and outdoor LED advertisements; and organising roadshows to promote our products from 1 July 2019 to 30 June 2021; and
- approximately 3.3% or HK\$3.1 million for broadening the coverage of our consignment store sales network by engaging new consignees in Fuzhou, Guangzhou, Chengdu, Xi'an, Nanchang and Zhuhai the PRC.

We expect the capital expenditure for the establishment of each consignment store to be approximately HK\$0.5 million. We plan to establish two consignment stores in Fuzhou and Guangzhou in 2018; another two consignment stores in Chengdu and Nanchang in 2019; another consignment store in Xi'an in 2020 and another consignment store in Zhuhai in 2020.

Apart from the net proceeds of the Share Offer allocated, the operation of each consignment store will be funded by its profit after the recovery of capital expenditure. We expect that we will recover our planned capital expenditure on each consignment store in one year from the date of its establishment.

FUTURE PLANS AND USE OF PROCEEDS

- (iv) approximately 3.6%, or HK\$3.4 million, will be used for developing and diversifying our product portfolio of Hobs and Stoves over the period from 1 July 2018 to 30 June 2020 with a focus on value-added attributes that allow us to further capture pricing premiums, this will include:
- approximately 2.1% or HK\$2.0 million for additional manpower ; and
 - approximately 1.5% or HK\$1.4 million for acquiring equipments and materials required.
- (v) approximately 6.9% or HK\$6.5 million for the project of 米技電爐具智能化服務平臺建設 (Establishment of Smart Service Platform for Miji Electric Stoves*) which will be conducted throughout the period from 1 July 2018 to 30 June 2020, this will include:
- approximately 3.8% or HK\$3.6 million for acquiring hardware equipment, computer software and materials required and payment of rentals;
 - approximately 2.4% or HK\$2.3 million for engagement fees of external expertise; and
 - approximately 0.7% or HK\$0.6 million for registration of intellectual properties developed under the project.

For details, please refer to the paragraph headed “Business – Our Strategies and Future Plans – We plan to continue the project of 米技電爐具智能化服務平臺建設 (Establishment of Smart Service Platform for Miji Electric Stores*)” and the paragraph headed “Regulatory Overview – Mobile Applications” in this prospectus.

- (vi) approximately 9.6%, or HK\$9.0 million, will be used for general working capital.

Our Directors confirm that they are not aware of any regulatory restrictions for establishment of showrooms and consignment stores in the aforementioned locations. It is expected that we will recover our planned capital expenditure on each showroom in two years and each consignment store in one year from the date of its establishment.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this prospectus.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.36 per Share, the net proceeds we receive from the Share Offer will increase by approximately HK\$9.5 million. If the Share Offer is set at the low-end of the indicative Offer Price range, being HK\$0.30 per Share, the net proceeds we receive from the Share Offer will decrease by approximately HK\$11.9 million.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new project of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, our Group will issue an announcement in accordance with the Listing Rules.

Implementation Plans

The following table sets out our implementation plans for our business strategies for the period from the Latest Practicable Date up to 30 June 2021:

	From the Latest Practicable Date to 30 June 2018 (HK\$'000)	From 1 July 2018 to 31 December 2018 (HK\$'000)	From 1 January 2019 to 30 June 2019 (HK\$'000)	From 1 July 2019 to 31 December 2019 (HK\$'000)	From 1 January 2020 to 30 June 2020 (HK\$'000)	From 1 July 2020 to 31 December 2020 (HK\$'000)	From 1 January 2021 to 30 June 2021 (HK\$'000)	Total
Establish showrooms in major cities of the PRC	–	3,000	4,400	5,800	4,200	7,200	5,600	30,200
Repayment of bank loans	–	22,500	–	–	–	–	–	22,500
Expand and strengthen our sales and marketing capacities	–	1,190	1,290	4,620	4,710	5,250	5,340	22,400
Develop and diversify our product portfolio of Hobs and Stoves	–	1,700	700	500	500	–	–	3,400
Continue the project of 米 技電爐具智能化服務平 臺建設 (Establishment of Smart Service Platform for Miji Electric Stoves*)	–	900	900	2,300	2,400	–	–	6,500
Use for general working capital	–	9,000	–	–	–	–	–	9,000
Total:	–	38,290	7,290	13,220	11,810	12,450	10,940	94,000

UNDERWRITING

UNDERWRITERS

Public Offer Underwriters

Dakin Securities Limited

Koala Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Stock Exchange and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally and not jointly agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of all the Public Offer Underwriters) shall have the absolute right upon giving a written notice to our Company to terminate the Public Offer Underwriting Agreement if any of the following events occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (A) if it has come to the notice of the Sole Sponsor and the Joint Bookrunners:
 - (i) any matter or event showing any of the representations, warranties and undertakings given by our Company and the Covenantors contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of such representations, warranties and undertakings or any other provision of the Public Offer Underwriting Agreement by our Company and/or the Covenantors which, in any such cases, is considered, in the reasonable opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), to be material in the context of the Public Offer; or

UNDERWRITING

- (ii) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the reasonable opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in the context of the Public Offer; or
- (iii) any statement contained in this prospectus considered to be material by the Joint Bookrunners in their reasonable opinion which is discovered to be or becomes untrue, incorrect or misleading in any material respects ; or
- (iv) any event, act or omission which gives rise or is likely to give rise to any material liability of any of our Company, the executive Directors and the Covenantors pursuant to the indemnities contained in the Public Offer Underwriting Agreement; or
- (v) any breach of any of the provisions of the Public Offer Underwriting Agreement by our Company and/or the Covenantors which is considered in the reasonable opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) to be material; or
- (vi) any adverse change or a prospective adverse change in the business, results of operation, financial or trading position, or prospects of our Group as a whole the effect of which is, in the reasonable opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), so material and adverse as to make it impracticable or inadvisable to proceed with the Share Offer; or
- (vii) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, or if granted, the approval is subsequently withdrawn, qualified or withheld, except such as may result from the default, fraud, negligence or bad faith of the Joint Bookrunners and the Public Offer Underwriters; or
- (viii) any person (other than the Joint Bookrunners and the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus as expert or to the issue of this prospectus; or

UNDERWRITING

- (B) if there develops, occurs, exists or comes into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (i) any new law or regulation or any material adverse change in existing laws or regulations or any adverse change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the BVI, the PRC or any other jurisdiction relevant to any member of our Group (the “**Relevant Jurisdictions**”); or
 - (ii) any material adverse change (whether or not permanent) in local, national or international stock market conditions in or affecting the Relevant Jurisdictions; or
 - (iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange or other major stock exchanges in the United States, the United Kingdom or the PRC due to exceptional financial circumstances or otherwise; or
 - (iv) any material adverse change or development involving a prospective material adverse change in taxation or exchange control (or the implementation of any exchange control) in any of the Relevant Jurisdictions; or
 - (v) any material adverse change or development or event involving a prospective material adverse change in our assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects of our Group taken as a whole; or
 - (vi) any material adverse change or development (whether or not permanent), or any event or series of events resulting in any material adverse change in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States) in or affecting any of the Relevant Jurisdictions; or
 - (vii) a general moratorium on commercial banking business activities in any of the Relevant Jurisdictions declared by the relevant authorities; or
 - (viii) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, pandemic, act of terrorism, earthquake, strike or lock-out involving the Relevant Jurisdictions; or

UNDERWRITING

- (ix) any litigation of any third party being instigated against any member of our Group, the executive Directors and/or our Controlling Shareholders; or
- (x) any material adverse change or development involving a prospective material adverse change, or materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (xi) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (xii) any imposition of economic or other sanctions, in whatever form, directly or indirectly, by or to any of the Relevant Jurisdictions; or
- (xiii) a petition (based on valid grounds) is presented for the winding up or liquidation of any member of our Group, or any member of our Group make any compromise or arrangement with its creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xiv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which such member of our Group is liable prior to its stated maturity, or any material loss or damage sustained any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xv) any judicial, regulatory or governmental authority or political body or organisation in any of the Relevant Jurisdictions commencing any investigation, action, or proceedings, or announcing an intention to investigate or take any action, against any Executive Directors; or
- (xvi) any Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or
- (xvii) the chairman or chief executive officer of our Company vacating his office; or
- (xviii) any prohibition on our Company for whatever reason from allotting the Offer Shares pursuant to the Share Offer and the terms set out in the Public Offer Underwriting Agreement and this prospectus; or

UNDERWRITING

- (xix) other than with the approval of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), the issue or the requirement to issue by our Company of any supplement or amendment to this prospectus (or to any documents used in connection with the Share Offer) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xx) any event which gives rise or would give rise to any liability on the part of our Company and/or our Controlling Shareholders pursuant to the indemnity provisions contained in the Public Offer Underwriting Agreement; or
- (xxi) a breach of any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement by our Company or of any of the other obligations imposed upon or undertakings given by our Company under the Public Offer Underwriting Agreement,

which, individually or in the aggregate, in the sole and reasonable opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

- (a) is or will be or is likely to be materially adverse to the business, financial condition or prospects of our Group taken as a whole; or
- (b) has or will have or is likely to have a material adverse effect on the success of the Share Offer; or
- (c) makes or will make or is likely to make it impracticable, inadvisable or inexpedient to proceed with the Share Offer.

Undertakings to the Stock Exchange under the Listing Rules

(A) Undertakings by our Company

We have undertaken to the Stock Exchange that, except pursuant to the Capitalisation Issue, the Share Offer, the Over-allotment Option and the Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08 of the Listing Rules.

UNDERWRITING

(B) Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Share Offer, Capitalisation Issue, the exercise of Over-allotment Option, the Share Option Scheme, and the stock borrowing agreement (if applicable), or permitted under the Listing Rules, she/it shall not and shall procure that the relevant registered shareholder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it/he is shown by this prospectus to be the beneficial owner(s); or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder (as defined in the Listing Rules).

Each of our Controlling Shareholders has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

- (a) when she/it pledges or charges any Shares beneficially owned by her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) as security for a bona fide commercial loan, inform our Company immediately in writing of such pledge/charge together with the number of securities so pledged or charged; and
- (b) having pledged or charged any interest in our Shares under paragraph (a) above, when she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform our Company of such indications.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

UNDERWRITING

Undertakings pursuant to the Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company had undertaken to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, except pursuant to the Share Offer (including pursuant to any of the Over-allotment Option), the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of Shares upon exercise of any such options or as otherwise permitted under the Listing Rules, our Company will not, and our Company, our Controlling Shareholders and each of our executive Directors will procure, that our subsidiaries will not, unless with the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Underwriters), such consent not to be unreasonably withheld or delayed, and in compliance with the requirements of the Listing Rules, during the six months immediately following the Listing Date (the “**First Six-month Period**”):

- (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Company or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or other securities of our Company or interest therein; or
- (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
- (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above;

whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so.

In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

UNDERWRITING

Each of our Controlling Shareholders has jointly and severally undertaken to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and the Company that during the First Six-month Period, it or she shall not, and shall procure that the relevant registered holder(s) and it/her associates and companies controlled by it/he and any nominee or trustee holding in trust for it/her shall not, without the prior written consent of the Joint Bookrunners, unless pursuant to the stock borrowing agreement (if applicable) and/or the Share Option Scheme or otherwise in compliance with the requirements of the Listing Rules:

- (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Company or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or other securities of our Company or interest therein; or
- (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
- (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above;

whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so.

Each of our Controlling Shareholders has also jointly and severally undertaken to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and our Company that it/he shall not, and shall procure that the relevant registered holder(s) and it/her associates or companies controlled by it/her and any nominee or trustee holding in trust for it or him shall not, without the prior written consent of the Joint Bookrunners unless pursuant to the stock borrowing agreement (if applicable) and/or the Share Option Scheme and unless in compliance with the Listing Rules, at any time during the Second Six-month Period, dispose of, or enter into any of the transaction in paragraphs (i), (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, transfer, he/it will cease to be a controlling shareholder (as defined in the Listing

UNDERWRITING

Rules) or would together with the other Controlling Shareholders cease to be/or regarded as controlling shareholders (as defined in the Listing Rules) on a collective basis.

In the event of a disposal of any of the Shares or securities of our Company directly or indirectly beneficially owned by it or him or any interest therein within the Second Six-month Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, our Company and the Public Offer Underwriters that within the first twelve months from the Listing Date, it/she will:

- (i) when it/she pledges or charges any securities or interests in the securities of our Company beneficially owned by her or it directly or indirectly, immediately inform our Company and the Joint Bookrunners in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and
- (ii) when it/he receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by the Controlling Shareholders and disclose such matters by way of a press announcement.

The Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, *inter alia*, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will agree to subscribe or purchase or procure subscribers or purchasers for the Placing Shares being offered pursuant to the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph

UNDERWRITING

headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Undertakings pursuant to the Public Offer Underwriting Agreement” in this prospectus.

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by them in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Underwriting arrangements and expenses – The Public Offer – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

Underwriting commission and expenses

According to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive an underwriting commission of 7.0% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer, out of which they will pay any sub-underwriting commissions and selling concessions. The Placing Underwriters are expected to receive similar underwriting commission on the aggregate Offer Price payable for the Placing Shares subject to the terms and conditions of the Placing Underwriting Agreement.

Based on the Offer Price of HK\$0.33 per Offer Share, being the mid-point of the estimated Offer Price range, the aggregate fees and commission, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer which are estimated to be approximately RMB27.4 million in aggregate and are payable by our Company.

UNDERWRITERS’ INTERESTS IN OUR COMPANY

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

COMPLIANCE ADVISER’S AGREEMENT

Our Company has appointed Dakin Capital Limited to act as the compliance adviser to our Company for the purpose of the Listing Rules for a period from the Listing Date and ending on the date on which our Company complies with Rule 3A.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date.

SPONSOR’S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. Dakin Capital Limited is the Sole Sponsor. Dakin Securities and Koala Securities are the Joint Bookrunners and the Joint Lead Managers.

The Share Offer consists of (subject to reallocation and the Over-allotment Option):

- the Public Offer of 37,500,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described under the paragraph headed “Underwriting – Underwriting arrangements and expenses – The Public Offer” in this prospectus; and
- the Placing of 337,500,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below) in Hong Kong as described under the paragraph headed “Underwriting – Underwriting arrangements and expenses – The Placing” in this prospectus.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The Placing will involve selective marketing of the Offer Shares to institutional and professional investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “Pricing and allocation” in this section.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$0.36 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$0.36 per Public Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,636.28 for one board lot of 10,000 Shares. Each Application Form includes a table showing the exact amounts payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$0.36 per Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about Thursday, 12 July 2018.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Friday, 6 July 2018 and in any event, no later than Thursday, 12 July 2018.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Thursday, 12 July 2018, the Share Offer will not proceed and will lapse.

Reduction in Indicative Offer Price range and/or number of Offer Shares

The Joint Bookrunners (for themselves and on behalf of the Underwriters), may where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, reduce the indicative offer price range and/or the number of Offer Shares below those stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.mijiholdings.com) notices of the reduction. Upon issue of such a notice, the revised indicative offer price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company will be

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

fixed within such revised range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change materially as a result of such reduction.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative offer price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Public Offer will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked. In the event of a reduction in the number of Offer Shares, the Joint Bookrunners may, at their discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Bookrunners.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer.

Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

Allocation of the Offer Shares pursuant to the Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of the Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the Placing and the level of applications in the Public Offer and the basis of allocations of the Public Offer Shares are expected to be published on Friday, 13 July 2018 on our Company's website at www.mijiholdings.com and the website of the Stock Exchange at www.hkexnews.hk.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** application forms, or by giving **electronic application instructions** to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, will be made available through a variety of channels as described in the paragraph headed "How to Apply for the Public Offer Shares – 11. Publication of results" in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional upon, among other things:

- the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be made available pursuant to the Capitalisation Issue, the exercise of the Over-allotment Option and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or around the Price Determination Date;
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by our Company on the website of our Company and the Stock Exchange at www.mijiholdings.com and www.hkexnews.hk, respectively, on the next day following such lapse.

Share certificates for the Offer Shares are expected to be issued on Friday, 13 July 2018 but will only become valid certificates of title at 8:00 a.m. on Monday, 16 July 2018, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the paragraph headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination” in this prospectus has not been exercised.

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 37,500,000 Shares at the Offer Price, representing 10% of the 375,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of our Company immediately after completion of the Share Offer (assuming that none of the Over-allotment Option is exercised). The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer” in this section.

Allocation

Allocation of Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of Public Offer Shares initially being offered for subscription under the Public Offer) (after taking into account any reallocation in the number of Offer Shares allocated

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

between the Public Offer and the Placing will be divided equally (subject to adjustment of odd lot size) into two pools: Pool A and Pool B, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 18,750,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) Where the Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Public Offer Shares are not fully subscribed, the Joint Bookrunners (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the Placing in such amount as the Joint Bookrunners (for themselves and on behalf of the Underwriters) deems appropriate;
 - (ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times of the number of Offer Shares initially available under the Public Offer, then 37,500,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 75,000,000, representing 20% of the Offer Shares initially available under the Share Offer;
 - (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available under the Public Offer, then 75,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Offer Shares available under the Public Offer to 112,500,000, representing 30% of the Offer Shares initially available under the Share Offer;

- (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available under the Public Offer, then 112,500,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 150,000,000, representing 40% of the Offer Shares initially available under the Share Offer; and
 - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available under the Public Offer, then 150,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 187,500,000, representing 50% of the Offer Shares initially available under the Share Offer.
- (b) Where the Placing Shares are not fully subscribed:
- (i) if the Public Offer Shares are not fully subscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and Underwriting Agreements; and
 - (ii) if the Public Offer Shares are fully subscribed irrespective of the number of times the number of Offer Shares initially available under the Public Offer, then up to 37,500,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 75,000,000, representing 20% of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (i) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (ii) the Placing Shares are not fully subscribed and the Public Offer Shares are oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e.HK\$0.30 per Offer Share) stated in this prospectus.

In addition, the Joint Bookrunners may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 75,000,000 Offer Shares).

For reallocation of Offer Shares from the Placing to the Public Offer, the number of Offer Shares allocated to the Placing will correspondingly be reduced, and such additional Public Offer Shares will be reallocated to Pool A and Pool B in the Public Offer in such manner as the Joint Bookrunners deem appropriate.

In addition, the Joint Bookrunners may in its sole and absolute discretion reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

Applications

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Offer Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Offer Shares offered

The number of Shares to be initially offered for subscription under the Placing will be 337,500,000 Shares, representing 90% of the Offer Shares under the Share Offer. The Placing is subject to the Public Offer being unconditional.

Allocation

The Placing Underwriters are soliciting from prospective professional, institutional and other investors, indications of interest in subscribing for the Placing Shares. Prospective professional, institutional and other investors will be required to specify the number of Placing

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Shares they would be prepared to subscribe for at the Offer Price. This process is known as “book building”. In Hong Kong, retail investors should apply for the Public Offer Shares, as retail investors applying for the Placing Shares, including retail investors applying through banks and other institutions, are unlikely to be allocated any Placing Shares.

Allocation of Placing Shares is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. Such allocation is generally intended to result in a distribution of Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of our Company and our Shareholders as a whole.

OVER-ALLOTMENT OPTION

In connection with the Share Offer, our Company has granted the Over-allotment Option to the Joint Bookrunners (for themselves and on behalf of the Underwriters) under the Underwriting Agreements.

The Joint Bookrunners (for themselves or on behalf of the Placing Underwriters) can exercise the Over-allotment Option, which will be exercisable at any time from the date of this prospectus to the 30th day from the last day for lodging applications under the Share Offer. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to an aggregate of 56,250,000 additional Shares representing 15% of the Offer Shares initially available under the Share Offer. These Shares will be sold or issued at the Offer Price.

If the Over-allotment Option is exercised in full, the additional 56,250,000 Shares and the 375,000,000 Shares initially offered in the Share Offer will represent approximately 3.6% and 24.1% of our Company’s enlarged share capital respectively immediately after completion of the Share Offer and the exercise in full of the Over-allotment Option.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, Koala Securities, as stabilising manager (the “**Stabilising Manager**”), or any person acting for it, on behalf of the Underwriters may over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely, 56,250,000 Shares, which is 15% of the number of Offer Shares initially available under the Share Offer.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the last business day immediately before the 30th day after the last date for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilising period. Such stabilisation action, if commenced, may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws, rules and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO.

All stabilising actions will be taken in accordance with the laws, rules and regulation in place in Hong Kong on stabilisation.

STOCK BORROWING AGREEMENT

The Stabilising Manager, as stabilising manager, or any person acting for it may choose to borrow 56,250,000 Shares from the Wide Big, under a stock borrowing agreement (the “**Stock Borrowing Agreement**”), or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with the Wide Big will only be effected by the stabilising manager for settlement of over-allocations in the Placing and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from the Wide Big under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon the exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to the Wide Big or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated, and (iii) such earlier time as the parties may from time to time agree in writing;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to the Wide Big by the stabilising manager or its authorised agents in relation to such stock borrowing arrangement.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 16 July 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 16 July 2018. The Shares will be traded in board lots of 10,000 Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares. To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Sponsor, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Sponsor or the Joint Bookrunners may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through HK eIPO White Form service at **www.hkeipo.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 June 2018 until 12:00 noon on Thursday, 5 July 2018 from:

- (i) the following office(s) of the Public Offer Underwriters:

Public Offer Underwriters	Address
Dakin Capital Limited	Room 2701, Admiralty Centre, Tower 1, 18 Harcourt Road Admiralty Hong Kong
Koala Securities Limited	Units 01–02, 13/F Everbright Centre 108 Gloucester Road Wanchai, Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ii) any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

District	Branch Name	Address
Hong Kong Island	Sheung Wan Branch	Shop F, G/F Kai Tak Commercial Building 317–319 Des Voeux Road Central Sheung Wan
	Wanchai Branch	117–123 Hennessy Road Wanchai
Kowloon	Mongkok Branch	G/F, Belgian Bank Building 721–725 Nathan Road Mongkok
	Telford Branch	Shop F19, Telford Plaza Kowloon Bay
New Territories	Yan Ching Street Branch	Shops 4 and 5, G/F, Tuen Mun Centre 11 Yan Ching Street Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 June 2018 until 12:00 noon on Thursday, 5 July 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited – MIII Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 29 June 2018 – 9:00 a.m. to 5:00 p.m.
Saturday, 30 June 2018 – 9:00 a.m. to 1:00 p.m.
Tuesday, 3 July 2018 – 9:00 a.m. to 5:00 p.m.
Wednesday, 4 July 2018 – 9:00 a.m. to 5:00 p.m.
Thursday, 5 July 2018 – 9:00 a.m. to 12:00 noon

The application for the Share Offer will commence on Friday, 29 June 2018 through Thursday, 5 July 2018, being slightly longer than normal market practice of four days.

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 5 July 2018, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the application lists" in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed “2. Who can apply” in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application through the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 29 June 2018 until 11:30 a.m. on Thursday, 5 July 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 5 July 2018 or such later time under the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instructions** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HOW TO APPLY FOR PUBLIC OFFER SHARES

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and

HOW TO APPLY FOR PUBLIC OFFER SHARES

such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 29 June 2018 – 9:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 30 June 2018 – 8:00 a.m. to 1:00 p.m.⁽¹⁾
Tuesday, 3 July 2018 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 4 July 2018 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 5 July 2018 – 8:00 a.m.⁽¹⁾ to 12:00 noon

HOW TO APPLY FOR PUBLIC OFFER SHARES

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 29 June 2018 until 12:00 noon on Thursday, 5 July 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 5 July 2018, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, 5 July 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

HOW TO APPLY FOR PUBLIC OFFER SHARES

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

HOW TO APPLY FOR PUBLIC OFFER SHARES

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 5 July 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 5 July 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Friday, 13 July 2018 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our Company’s website at www.mijiholdings.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.mijiholdings.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Friday, 13 July 2018;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Friday, 13 July 2018 to 12:00 midnight on Thursday, 19 July 2018;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 13 July 2018 to Wednesday, 18 July 2018 (excluding Saturday and Sunday);
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 13 July 2018 to Tuesday, 17 July 2018 at all the receiving bank’s designated branches on a Business Day.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. For further details, please refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor, the Joint Bookrunners, the HK eIPO White Form Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

HOW TO APPLY FOR PUBLIC OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.36 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer set out in the paragraph headed “Structure and Conditions of the Share Offer – The Public Offer – Conditions of the Public Offer” in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 13 July 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or about Friday, 13 July 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 16 July 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 13 July 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 13 July 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 13 July 2018, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 13 July 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you apply as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "11. Publication of results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 13 July 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 13 July 2018, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Friday, 13 July 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any

HOW TO APPLY FOR PUBLIC OFFER SHARES

refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 13 July 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "11. Publication of results" in this section on Friday, 13 July 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 13 July 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 13 July 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 13 July 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MIJI INTERNATIONAL HOLDINGS LIMITED AND DAKIN CAPITAL LIMITED

Introduction

We report on the historical financial information of Miji International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-61, which comprises the combined statements of financial position as at 31 December 2015, 2016 and 2017, the Company statement of financial position as at 31 December 2017, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-61 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 June 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2017, the combined financial position of the Group as at 31 December 2015, 2016 and 2017 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 25 to the Historical Financial Information which states that no dividends have been paid by Miji International Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

29 June 2018

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report. The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December		
		2015	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	216,750	228,092	255,384
Cost of sales	8	<u>(113,611)</u>	<u>(117,675)</u>	<u>(118,879)</u>
Gross profit		103,139	110,417	136,505
Other income	6	942	3,352	1,354
Other (losses)/gains, net	7	(392)	17	(682)
Selling and distribution expenses	8	(60,844)	(59,149)	(71,282)
Administrative expenses	8	(11,757)	(14,625)	(27,535)
Research and development expenses	8	<u>(9,713)</u>	<u>(11,852)</u>	<u>(11,693)</u>
Operating profit		<u>21,375</u>	<u>28,160</u>	<u>26,667</u>
Finance income	10	208	242	240
Finance costs	10	<u>(22)</u>	<u>(497)</u>	<u>(1,113)</u>
Finance income/(costs), net		<u>186</u>	<u>(255)</u>	<u>(873)</u>
Share of (loss)/profit of associates	13	<u>(60)</u>	<u>54</u>	<u>1,021</u>
Profit before income tax		21,501	27,959	26,815
Income tax expense	11	<u>(3,201)</u>	<u>(3,877)</u>	<u>(5,734)</u>
Profit for the year		<u>18,300</u>	<u>24,082</u>	<u>21,081</u>

	Note	Year ended 31 December		
		2015 RMB'000	2016 RMB'000	2017 RMB'000
Other comprehensive (loss)/income: <i>Items that may be reclassified to profit or loss</i>				
Currency translation differences		(108)	(116)	251
Release of reserve upon disposal of a subsidiary		—	—	81
Other comprehensive (loss)/income for the year, net of tax		(108)	(116)	332
Total comprehensive income for the year		18,192	23,966	21,413
Profit attributable to:				
Owners of the Company		17,523	23,896	20,394
Non-controlling interests		777	186	687
		18,300	24,082	21,081
Total comprehensive income attributable to:				
Owners of the Company		17,415	23,780	20,726
Non-controlling interests		777	186	687
Total comprehensive income for the year		18,192	23,966	21,413
Earnings per share attributable to owners of the Company for the year				
Basic and diluted	12	N/A	N/A	N/A

COMBINED STATEMENTS OF FINANCIAL POSITION

	<i>Note</i>	As at 31 December		
		2015	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS				
Non-current assets				
Land use right and property, plant and equipment	14	9,889	8,425	7,623
Investments in associates	13	–	3,954	4,925
Intangible assets	15	717	967	1,040
Deferred income tax assets	24	94	–	104
		<u>10,700</u>	<u>13,346</u>	<u>13,692</u>
		-----	-----	-----
Current assets				
Inventories	17	56,599	35,582	44,959
Trade and bills receivables	18	18,675	40,835	43,205
Other receivables, deposits and prepayments	18	7,527	7,341	18,212
Amounts due from the then associate	28	–	3,777	–
Amount due from a non-controlling interest	30	–	61	–
Current income tax recoverables		16	–	–
Cash and cash equivalents	19	33,121	19,279	61,585
		<u>115,938</u>	<u>106,875</u>	<u>167,961</u>
		-----	-----	-----
Total assets		<u><u>126,638</u></u>	<u><u>120,221</u></u>	<u><u>181,653</u></u>

	Note	As at 31 December		
		2015 RMB'000	2016 RMB'000	2017 RMB'000
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Combined capital	20	4,270	4,270	1
Reserves	21	19,918	23,862	63,862
		24,188	28,132	63,863
Non-controlling interests	13	4,553	5,269	4,647
Total equity		28,741	33,401	68,510
LIABILITIES				
Non-current liability				
Deferred income tax liabilities	24	–	4	–
Current liabilities				
Trade and other payables	22	51,893	48,027	63,086
Borrowings	23	–	6,000	40,000
Amounts due to the then associate and an associate	28	158	237	148
Amount due to a shareholder	28	17,096	20,511	–
Amounts due to non-controlling interests	30	322	–	2
Advance receipts from customers		28,428	10,916	5,988
Current income tax liabilities		–	1,125	3,919
		97,897	86,816	113,143
Total liabilities		97,897	86,820	113,143
Total equity and liabilities		126,638	120,221	181,653

STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at 31 December 2017 RMB'000
ASSETS		
Current assets		
Prepayments	18	3,214
Cash and cash equivalents	19	<u>72</u>
Total assets		<u><u>3,286</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	20	–
Reserves	21	<u>(10,714)</u>
Total equity		<u>(10,714)</u>
LIABILITIES		
Current liabilities		
Other payables	22	5,258
Amount due to a subsidiary	31	<u>8,742</u>
		<u>14,000</u>
Total liabilities		<u><u>14,000</u></u>
Total equity and liabilities		<u><u>3,286</u></u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Combined capital RMB'000	Reserves RMB'000 (Note 21)	Non- controlling interests RMB'000	Total RMB'000
At 1 January 2015	4,270	19,218	3,706	27,194
Profit for the year	–	17,523	777	18,300
Other comprehensive loss: Currency translation differences	–	(108)	–	(108)
Total comprehensive income for the year	–	17,415	777	18,192
Dividends	–	(16,715)	–	(16,715)
Capital injection to a subsidiary from a non-controlling interest	–	–	70	70
Total transactions with owners	–	(16,715)	70	(16,645)
At 31 December 2015	4,270	19,918	4,553	28,741
At 1 January 2016	4,270	19,918	4,553	28,741
Profit for the year	–	23,896	186	24,082
Other comprehensive loss: Currency translation differences	–	(116)	–	(116)
Total comprehensive income for the year	–	23,780	186	23,966
Dividends	–	(19,836)	–	(19,836)
Capital injection to a subsidiary from a non-controlling interest	–	–	530	530
Total transactions with owners	–	(19,836)	530	(19,306)
At 31 December 2016	4,270	23,862	5,269	33,401

	Combined capital <i>RMB'000</i>	Reserves <i>RMB'000</i> <i>(Note 21)</i>	Non- controlling interests <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2017	4,270	23,862	5,269	33,401
Profit for the year	–	20,394	687	21,081
Other comprehensive loss:				
Currency translation differences	–	251	–	251
Release of reserve upon disposal of a subsidiary	–	81	–	81
Total comprehensive income for the year	–	20,726	687	21,413
Dividends	–	(26,357)	(1,448)	(27,805)
Acquisition of non-controlling interest <i>(Note 13)</i>	–	(739)	139	(600)
Capital injection from shareholders to Miji Holdings Limited <i>(Note 1.2)</i>	1	19,319	–	19,320
Reclassification of the share capital of Miji Electronic and Appliances (Shanghai) Limited from combined capital to other reserves <i>(Note 1.2)</i>	(4,055)	4,055	–	–
Deemed distribution of Miji GmbH <i>(Note 1.2)</i>	(215)	(1,333)	–	(1,548)
Capital injection from the Controlling shareholder to a subsidiary <i>(Note 21)</i>	–	24,329	–	24,329
Total transactions with owners	(4,269)	19,274	(1,309)	13,696
At 31 December 2017	<u>1</u>	<u>63,862</u>	<u>4,647</u>	<u>68,510</u>

COMBINED STATEMENTS OF CASH FLOWS

	<i>Note</i>	Year ended 31 December		
		2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Cash flows from operating activities				
Net cash generated from operations	26	18,071	4,134	17,801
Income tax paid		(5,066)	(2,638)	(3,048)
		<u>13,005</u>	<u>1,496</u>	<u>14,753</u>
Net cash generated from operating activities				
		-----	-----	-----
Cash flows from investing activities				
Purchase of property, plant and equipment		(2,654)	(630)	(998)
Purchase of intangible assets		(515)	(356)	(257)
Proceeds from disposal of property, plant and equipment	26	–	–	70
Capital injection to an associate upon formation		–	(3,900)	–
Interest received		208	242	240
Dividend received from an associate		–	–	50
		<u>(2,961)</u>	<u>(4,644)</u>	<u>(895)</u>
Net cash used in investing activities				
		-----	-----	-----

	Note	Year ended 31 December		
		2015 RMB'000	2016 RMB'000	2017 RMB'000
Cash flows from financing activities				
Dividends paid to a shareholder		(1,000)	–	–
Dividend paid to a non-controlling interest		–	–	(1,448)
Capital injection to a subsidiary from a non-controlling interest		70	530	–
Interest paid		(22)	(497)	(1,113)
Repayment to a shareholder		(136)	(16,421)	(46,868)
Advance from non-controlling interest		322	55	1,955
Repayment to a non-controlling interest		–	(438)	(1,892)
Proceeds from bank borrowings		–	6,000	62,000
Repayment of bank borrowings		–	–	(28,000)
Listing expenses paid (equity portion)		–	–	2,044
Capital injections from shareholders		–	–	43,649
Deemed distribution of Miji GmbH		–	–	(1,548)
Acquisition of non-controlling interest	13	–	–	(600)
Proceeds from disposal of a subsidiary		–	–	300
		<u> </u>	<u> </u>	<u> </u>
Net cash (used in)/generated from financing activities		(766)	(10,771)	28,479
		<u> </u>	<u> </u>	<u> </u>
Net increase/(decrease) in cash and cash equivalents				
Effect of exchange difference		9,278	(13,919)	42,337
		(60)	77	(31)
Cash and cash equivalents at beginning of the year		23,903	33,121	19,279
		<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at end of year		<u>33,121</u>	<u>19,279</u>	<u>61,585</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION****1.1 General information of the Group**

The Company was incorporated in the Cayman Islands on 16 May 2017 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, the Cayman Islands.

The Company is an investment holding company and the subsidiaries now comprising the Group mainly engaged in the development, manufacturing and selling of kitchen appliances in the People's Republic of China (the "PRC") (the "Listing Business").

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") as described below, the Listing Business was carried out by Miji Electronics and Appliances (Shanghai) Ltd. ("Miji Shanghai"), Miji GmbH ("Miji Germany"), Shanghai Miji Catering Management Company Limited ("Miji Catering"), MKY Shanghai Mikaiyi Kitchen Co. Ltd ("Mikaiyi"), Shanghai Miji Yongxing Electrical Appliances Company Limited ("Miji Yongxing") and Miji Germany (Hong Kong) Company Limited ("Miji Hong Kong") collectively the "Operating Companies". The Operating Companies were controlled by Ms. Madam Maeck ("Madam Maeck") (the "Controlling Shareholder") throughout the Track Record Period.

In preparation for listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation to transfer the Listing Business to the Company principally through the following steps:

(i) Incorporation of the Company and intermediate holding companies

On 16 May 2017, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 per share. One nil-paid Share was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was later transferred to Wide Big Limited ("Wide Big"), directly and wholly owned by Madam Maeck, on the same date.

Miji Holdings Limited ("Miji Holdings") was incorporated in the British Virgin Islands (the "BVI") with limited liability on 18 May 2017 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One fully paid ordinary share of Miji Holdings was allotted and issued to Wide Big on 18 May 2017 at par 79 shares of Miji Holdings were further allotted and issued to Wide Big, credited as fully paid, on 13 September 2017. Pursuant to an subscription agreement, 5 and 15 shares of Miji Holdings were allotted and issued to two independent third parties, respectively, credited as fully paid, on 13 September 2017 at cash consideration of HK\$5,800,000 and HK\$17,400,000, respectively.

Miji International Group Limited ("Miji International") was incorporated in the BVI with limited liability on 22 May 2017 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One fully paid ordinary share of Miji International was allotted and issued to Miji Holdings on 22 May 2017 at par.

Miji Hong Kong Investments Limited ("Miji Investment") was incorporated in Hong Kong with limited liability on 29 June 2017 with 10,000 issued shares and a total share capital of HK\$1. 10,000 fully paid ordinary shares of Miji Investments were allotted and issued to Miji International on 29 June 2017 at par.

(ii) Transfer of the entire interests in Miji Shanghai

Pursuant to an equity transfer agreement dated 21 August 2017 entered into between Madam Maeck and Miji Investments, Madam Maeck transferred the entire issued share capital of Miji Shanghai to Miji Investments at a cash consideration of RMB20,000,000, which was subsequently contributed by the Controlling Shareholder to the Group.

(iii) Acquisition of the remaining interests in Mikaiyi, a subsidiary of Miji Shanghai

Pursuant to an equity transfer agreement dated 9 March 2017 entered into between Miji Shanghai and Mr. Yu, a non-controlling shareholder of Mikaiyi, Mr. Yu transferred 20% of equity interest to Miji Shanghai at a cash consideration of RMB600,000.

(iv) Transfer of the entire interests in Miji Germany

Pursuant to an equity transfer agreement dated 5 October 2017 entered into between Madam Maeck and Miji Investments, Madam Maeck transferred the entire issued share capital of Miji Germany to Miji Investments at a cash consideration of EUR200,000.

(v) Disposal of the entire interests in Miji Catering, a subsidiary of Miji Shanghai

Pursuant to an equity transfer agreement dated 21 August 2017 entered into between Miji Shanghai and an independent third party, Miji Shanghai transferred 80% equity interest in Miji Catering to the independent third party at a cash consideration of RMB300,000.

(vi) Disposal of the entire interests in Miji Hong Kong, a subsidiary of Miji Shanghai

Pursuant to an equity transfer agreement dated 18 October 2017 entered into between Miji Shanghai and an independent third party, Miji Shanghai transferred the entire equity interest in Miji Hong Kong to the independent third party at a cash consideration of HK\$1.

(vii) Incorporation of Miji Electronics and Appliances (Beijing) Limited ("Miji Beijing")

Miji Beijing was incorporated in the PRC with limited liability on 7 December 2017 and is wholly-owned by Miji Shanghai since its establishment. Miji Beijing has a registered capital of RMB1,000,000. As at the Latest Practicable Date, Miji Beijing has not commenced any operation or business activity since its inception. It will engage in the business of design, manufacture and sale of cooking appliances in northern China.

(viii) Transfer of shares between the Company, Wide Big and the remaining two shareholders

Pursuant to the sale and purchase agreement dated 21 June 2018, the Company agreed to acquire respectively from (1) Wide Big 80 shares of Miji Holdings; (2) the remaining two shareholders 20 shares of Miji Holdings prior to the share transfer, which in aggregate represent the entire issued share of Miji Holdings and in consideration, (i) the one nil paid Share held by Wide Big will be credited as fully paid, and (ii) 79 Shares, five Shares and 15 Shares, all credited as fully paid, were allotted and issued to Wide Big, Shunzhi and Haitong, respectively.

After the completion of the reorganisation steps as described above, the Company became the holding company of the subsidiaries now comprising the Group.

Upon the completion of the Reorganisation and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries now comprising the Group:

Company name	Place and date of incorporation/ establishment	Issued and paid up capital	Attributable equity interest of the Group			As at the date of this report	Principal activities/place of operation
			31 December 2015	2016	2017		
Directly owned:							
Miji Holdings (<i>Note (i)</i>)	The BVI 18 May 2017	USD100	N/A	N/A	100%	100%	Investment holding, Hong Kong
Indirectly owned:							
Miji International (<i>Note (i)</i>)	The BVI 22 May 2017	USD1	N/A	N/A	100%	100%	Investment holding, Hong Kong
Miji Investment (<i>Note (i)</i>)	Hong Kong 29 June 2017	HKD10,000	N/A	N/A	100%	100%	Investment holding, Hong Kong
Miji Shanghai (<i>Note (ii)</i>)	The PRC 16 October 2001	USD4,200,000	100%	100%	100%	100%	Design, manufacture and sale of cooking appliances, the PRC
Mikaiyi (<i>Notes (ii), (iii)</i>)*	The PRC 30 June 2015	RMB3,000,000	80%	80%	100%	100%	Distribution of cabinets, electrical appliances and equipment for kitchen use, the PRC
Shanghai Miji Yongxing Electrical Appliances Company Limited ("Miji Yongxing") (<i>Note (ii)</i>)*	The PRC 8 February 2012	RMB5,000,000	51%	51%	51%	51%	Sale of components of cooking appliances, the PRC
Miji Hong Kong (<i>Note (iv)</i>)	Hong Kong 16 January 2012	HKD300,000	100%	100%	N/A	N/A	Investment holding, Hong Kong
Miji Germany (<i>Note (v)</i>)	Germany 28 June 2000	EUR25	100%	100%	100%	100%	Design, manufacture and sale of cooking appliances, Germany
Shanghai Catering (<i>Note (vi)</i>)*	The PRC 10 November 2011	RMB600,000	80%	80%	N/A	N/A	Catering services, the PRC
Miji Beijing (<i>Note (i)</i>)	The PRC 7 December 2017	RMB0	N/A	N/A	100%	100%	Design, manufacture and sale of cooking appliances in Beijing, the PRC

* For identification purpose only

Notes:

- (i) No audited financial statements for these subsidiaries now comprising the Group were available for the years ended 31 December 2015 and 2016 and 2017 as they were newly incorporated in 2017.
- (ii) The statutory financial statements of these subsidiaries now comprising the Group for the years ended 31 December 2015 and 2016 were audited by Shanghai LiXin JiaCheng DongShen Certified Public Accountants and for the years ended 31 December 2017 were audited by Shanghai Shenwei United Certified Public Accountants.
- (iii) During the year ended 31 December 2017, the Group acquired the remaining 20% of issued share capital of Mikaiyi at a consideration of RMB600,000. For details, please refer to Note 13(c).
- (iv) The statutory financial statements of this subsidiary now comprising the Group for the years ended 31 December 2015 and 2016 were audited by Mabel Chan & Co. and Grant Thornton Hong Kong Limited Certified Public Accountants, respectively. During the year ended 31 December 2017, the entire interest in Miji Hong Kong was disposed of at a consideration of HK\$1 to an independent third party. As at disposal date, the company is at net liability position of RMB619,000.
- (v) The statutory financial statements of this subsidiary now comprising the Group for the years ended 31 December 2015, 2016 and 2017 were audited by Diplom-Betriebswirt•Klaus Schafer • Steuerberater.
- (vi) During the year ended 31 December 2017, the entire interest in Miji Catering was disposed of at a consideration of RMB300,000 to an independent third party. As at disposal date, the company is at net liability position of RMB357,000.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business has been conducted by the Operating Companies. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owner of the Listing Business remains the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuance of the combined statements of the Operating Companies, with the assets and liabilities of the Group recognised and measured at the carrying amount of the Listing Business under the combined financial statements of the Operating Companies for all periods presented.

Intercompany transactions, balances and unrealised gains/losses on transactions between subsidiaries now comprising the Group are eliminated upon combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA are set out below. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of

applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4.

The following are new standards and amendments to existing standards and interpretation that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2018, but have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKAS 28 (Amendment)	Investment in Associates and Joint Ventures	1 January 2018
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Venture	1 January 2019
HKAS 40 (Amendment)	Transfers of Investment Property	1 January 2018
HKFRS 1 (Amendment)	First Time Adoption of HKFRS	1 January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 9 (Amendment)	Financial Instruments	1 January 2019
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between Investor	Not yet determined
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK(IFRIC) – Int22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) – Int23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2016–2017 Cycle	1 January 2019

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards when they become effective. Management is in the process of assessing the impact of these new standards, amendments and interpretations to existing standards and set out below are the expected impact on the Group's financial performance and position.

HKFRS 9 “Financial instruments”

HKFRS 9 “Financial instruments”, introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a ‘three stage’ approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a noncredit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivable this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. Management has performed assessment and expects that the implementation of HKFRS 9 would not result in any significant impacts on the Group's financial position and results of operation.

HKFRS 9, “Financial Instruments”, also addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised

cost, fair value through other comprehensive income and fair value through profit or loss. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. Management assesses that adopting HKFRS 9 will not have a material impact to the Group's combined statements of financial position. The standard is effective for accounting periods beginning on or after 1 January 2018. Management has performed assessment and expects that the implementation of HKFRS 9 would not result in any significant impacts on the Group's financial position and results of operation.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 "Revenue from Contracts with Customers" – This new standard replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related interpretations on revenue recognition. The directors of the Company has performed a preliminary assessment. Based on this assessment, it is noted that HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It changes the approach of revenue recognition from "risks and rewards" to "transfer of control". HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition timing and amount may arise when multiple performance obligations are identified and satisfied. The standard is effective for accounting periods beginning on or after 1 January 2018. Incremental costs to obtain a contract will be capitalised under HKFRS 15 if they are expected to be recovered in long term. This could result in additional deferred costs for certain contracts with customers which incur a commission or agency cost at the time of signing up a long term service contract. However, such costs may be expensed as incurred as a practical expedient if the amortisation period of the asset is one year or less. The contracts with customers entered into by the Group are normally for a term less than one year. Management has performed preliminary assessment on the implementation of HKFRS 15 and the initial result indicated that it would not result in any significant impact on the Group's financial position and results of operation other than changes on the disclosure.

HKFRS 16 "Leases"

The Group is a lessee of its warehouses which are currently classified as operating leases. As at 31 December 2015, 2016 and 2017, the aggregated future lease payments of the Group under operating leases were RMB5,120,000, RMB2,674,000 and RMB3,735,000, respectively. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the combined statements of financial position. Instead, when the Group is the lessee, almost all leases should be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus, each lease will be mapped in the Group's combined statements of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the combined statements of financial position. This will affect related ratios, such as increase in debt to capital ratio. In the combined statements of comprehensive income, leases will be recognised in the future as depreciation and amortisation and will no longer be recorded as property rental and related expenses. Interest expense on the lease liability will be presented separately from depreciation and amortisation under finance costs. As a result, the property rental and related expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the combined statements of comprehensive income in the initial year of the lease, and decreasing expenses

during the latter part of the lease term. The new standard is not expected to apply until the financial year beginning on or after 1 January 2019, including the adjustment of prior years. It is expected that certain portion of these lease commitments will required to be recognised in the combined statements of financial position as right-of-use assets and lease liabilities.

Nevertheless, it is expected that there will be no material impact on the financial position and performance of the Group.

For lessors, the accounting stays almost the same. Although the standards provides guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), this does not impact the Group as there are no such arrangements in place.

The Group is continuing to assess the specific magnitude of the adoption of HKFRS 16 to the relevant financial statements areas and will conduct a more detailed assessment on the impact as more information become available closer to the planned initial date of the adoption of 1 January 2019.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are combined from the date on which control is transferred to the Group. They are decombined from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between subsidiaries now comprising the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions - that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of a subsidiary

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the combined statements of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee's net assets including goodwill.

2.3 Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of loss in an

associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of loss of an associate' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's Historical Financial Information only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in an associate are recognised in the profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the combined statements of comprehensive income within "finance income/(costs), net". All other foreign exchange gains and losses are presented in the combined statements of comprehensive income within "other (losses)/gains, net".

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- b) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the

rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- c) all resulting currency translation differences are recognised in other comprehensive income.

2.6 Land use right and property, plant and equipment

Land use right

Land use right is stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost represents consideration paid for the right to use the land on which various plants and buildings are situated for a period of 47 years. Amortisation of land use right is calculated on a straight-line basis over the period of leases.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined statements of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	Shorter of remaining lease term or 3 years
Furniture and office equipment	3–5 years
Motor vehicles	5 years
Machinery	3–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains, net" in the combined statements of comprehensive income.

2.7 Intangible assets

Software and website

Acquired computer software licenses and website are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and website. Intangible assets are amortised over their estimated useful lives of 3 to 10 years.

2.8 Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing

impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

The Group's financial assets are mainly loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and bills receivables", "other receivables and deposits", "amounts due from the then associate", "amount due from a non-controlling interest" and "cash and cash equivalents" in the combined statements of financial position.

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair values plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Receivables are subsequently carried at amortised cost using the effective interest method.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the combined statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined statements of comprehensive income.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.13 Inventories

Raw materials and finished goods

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises parts and components, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the combined statements of comprehensive income in the year/period in which they are incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the combined statements of comprehensive income in the year in which they are incurred.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the combined statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

(a) *Retirement benefit obligations*

Full time employees of the Group's PRC entities participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labour regulations require the Group to accrue for these benefits based on certain percentages of the employees' salaries. Full time employees who have passed the probation period are entitled to such benefits.

The Group also participates in defined contribution schemes which are available to Germany employees. Contributions are made based on a percentage of the employees' basic salaries or a fixed sum and are charged to the profit or loss as incurred. The assets of the schemes are held separately from those of the Group in an independently administered fund.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Bonus plans*

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, allowances of returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Revenue from sales of goods

Revenue from the sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the customer, and the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised using the effective interest method.

2.23 Leases – as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to combined statements of comprehensive income on a straight-line basis over the period of the lease.

2.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants to compensate the current year expenses are recognised in the combined statements of comprehensive income under "other income".

2.25 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the Group's combined statements of financial position in the period in which dividends are approved by the Company's shareholders or directors, where appropriate.

2.26 Research and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled and tests for impairment are performed annually. Other development expenditures that do not meet those criteria are recognised as expenses as incurred. Development costs previously recognised as expenses are not recognised as assets in subsequent periods.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow and fair value interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a finance department headed by the financial controller of the Group (the "Finance Department"). The Finance Department identifies and evaluates financial risks in close co-operation within the Group to cope with overall risk management, as well as specific areas, such as fair value interest rate risk, foreign currency risk, credit risk and liquidity risk.

(a) Cash flow and fair value interest rate risk

Cash flow and fair value interest rate risk refers to the changes in cash flows or fair value of a financial instrument as a result of fluctuations in market interest rates.

Cash and cash equivalents and bank borrowings at variable rates expose the Group to cash flow interest-rate risk. Amount due to a shareholder at fixed rates expose the Group to fair value interest rate risk.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. Management monitors interest rate fluctuations to ensure that exposure to interest rate risk is within an acceptable level and will consider hedging significant interest rate exposure should the need arises.

As at 31 December 2015, 2016 and 2017, it is estimated that if cash and cash equivalents and borrowings at variable rates experience a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, the Group's profit for the year would increase/decrease by approximately RMB282,000, RMB114,000 and RMB265,000, respectively. The 100 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

(b) Foreign currency risk

The Group mainly operates in the PRC, Hong Kong and Germany and most of their transactions are denominated in either Chinese Renminbi ("RMB"), Hong Kong dollars ("HKD") or European dollars ("EUR"). The Group is exposed to foreign exchange risk primarily through sales and purchases, capital expenditure and expenses transactions that are denominated in a currency other than the functional currency of the Company's or its subsidiaries' to which they relate.

The Group considers its foreign currency exposure is mainly arising from the exposure of the RMB against the EUR and HKD.

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group has not adopted hedge accounting.

As at 31 December 2015, 2016 and 2017, if RMB strengthened/weakened against the EUR by 10% with all other variables held constant the Group's profit for the year will be approximately RMB402,000, RMB98,000 and RMB127,000 lower/higher respectively.

As at 31 December 2015, 2016 and 2017, if RMB strengthened/weakened against the HKD by 10% with all other variables held constant the Group's profit for the year will be approximately RMB19,000, RMB113,000 and RMB868,000 lower/higher respectively.

(c) *Credit risk*

The credit risk of the Group mainly arises from trade and bill receivables, other receivables and deposits, amounts due from the then associate, amount due from a non-controlling interest and cash and cash equivalents.

Management considers the Group has limited credit risk with its banks which are leading and reputable and are assessed as having low credit risk. Majority of bank balances are deposited with reputable banks. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

As at 31 December 2015, 2016 and 2017, there were 1 customer, 1 customer and 2 customers which individually contributed over 10% of the Group's trade and bill receivables. The amount of trade and bill receivables from these customers amounted to 40.9%, 60.2% and 51.5% of the Group's total trade and bill receivables. The major debtors of the Group are reputable organisations and with no history of default. Management considers that the credit risk is limited in this regard.

For the amounts due from the then associate, amount due from a non-controlling interest, the Group has policies in place to monitor the credit exposure of the relevant parties. The Group will assess the financial capabilities of the relevant parties including its repayment histories, and its abilities to obtain financial support when necessary. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. Management is of the opinion that the risk of default by the then associate, an associate and non-controlling interest is low.

(d) *Liquidity risk*

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term.

As at 31 December 2015, 2016 and 2017, the Group held cash and cash equivalents of RMB33,121,000, RMB19,279,000 and RMB61,585,000, that are expected to be readily available to generate cash inflows for managing liquidity risk.

The Group maintains liquidity by a number of sources including receivables and certain assets that the Group considers appropriate and short term financing. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

As at 31 December 2015, 2016 and 2017, the Group's total available banking facilities amounted to approximately RMB9,200,000, RMB7,000,000 and nil respectively, of which none has been utilised as at 31 December 2015 and 2016.

Based on the remaining period at the date of combined statements of the Group are all categorised to mature within 12 months. Balances within 12 months equal carrying balances as impact from discounting is not significant.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. The capital is calculated as "equity" as shown in the combined statements of financial position plus net debt.

As at 31 December 2015, 2016 and 2017, the gearing ratios were as follows:

	As at 31 December		
	2015 RMB'000	2016 RMB'000	2017 RMB'000
Borrowings (<i>Note 23</i>)	–	6,000	40,000
Less: cash and cash equivalents (<i>Note 19</i>)	(33,121)	(19,279)	(61,585)
Net debt	N/A	N/A	N/A
Total equity	28,741	33,401	68,510
Total capital	28,741	33,401	68,510
Gearing ratio	N/A	N/A	N/A

3.3 Fair value estimation

The carrying value less impairment of provision for trade and other receivables, deposits and prepayment, amounts due from the then associate and amount due from a non-controlling interest and payables are approximation to their fair value due to short maturity.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of trade receivables and other receivables. Provisions are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

(b) Impairment of inventories

The Group makes provision for inventories based on an assessment of the realisability of inventories. Provisions are recognised where events or changes in circumstances indicate that the carrying value of inventories may not be realised. The identification of provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and provision for inventories in the period in which such estimate has been changed.

(c) Income tax

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Deferred income tax assets relating to temporary differences and tax losses are recognised when management expects it is probable that future taxable profits will be available to utilise against the temporary differences or tax losses. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets in the period in which such estimates have been changed.

5 SEGMENT INFORMATION AND REVENUE

The chief operating decision-makers have been identified as the executive directors of the Company. Management has determined the operating segments based on the information reviewed by the executive directors for the purpose of allocating resources and assessing performance. The only component in internal reporting to the executive directors are the Group's development, manufacturing and selling of kitchen appliance for the years ended 31 December 2015, 2016 and 2017. In this regard, management considers there is only one operating segment under the requirements of HKFRS 8 operating segment.

The Group's activities are mainly carried out in the PRC and majority of the Group's assets and liabilities are located in the PRC. Non-current assets of RMB10,422,000, RMB12,501,000 and RMB12,951,000 of the Group are located in the PRC as at 31 December 2015, 2016 and 2017, respectively. Revenue of RMB216,180,000, RMB226,151,000 and RMB254,118,000 are derived from external customers in the PRC for the years ended 31 December 2015, 2016 and 2017.

Analyses of sales by product for the years ended 31 December 2015, 2016 and 2017 are follows.

Sales by product

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hobs and stoves (Radiant)	203,436	198,196	202,890
Hobs and stoves (Induction)	1,369	6,296	18,804
Pots and pans	4,720	8,879	20,079
Others	7,225	14,721	13,611
	<u>216,750</u>	<u>228,092</u>	<u>255,384</u>
Total	216,750	228,092	255,384

For the years ended 31 December 2015, 2016 and 2017, there were 1, 1 and 1 customer, respectively, which individually contributed over 10% of the Group's total revenue. During the years ended 31 December 2015, 2016 and 2017, the revenue contributed from the customer was as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	96,790	90,045	34,954
	<u>96,790</u>	<u>90,045</u>	<u>34,954</u>

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the directors to assess the performance of the business.

6 OTHER INCOME

The Group's other income recognised during the years ended 31 December 2015, 2016 and 2017 are as follows:

	Year ended 31 December		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Other income:			
– Government grant	688	3,238	1,350
– Sundry income	254	114	4
	<u>942</u>	<u>3,352</u>	<u>1,354</u>

Government grants of RMB688,000, RMB3,238,000 and RMB1,350,000 are recognised during the years ended 31 December 2015, 2016 and 2017. There are no unfulfilled conditions or other contingencies attaching to these grants.

7 OTHER (LOSSES)/GAINS, NET

	Year ended 31 December		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Loss on disposal of property, plant and equipment	–	(9)	(31)
Loss on disposal of subsidiaries	–	–	(562)
Net exchange (loss)/gain	(424)	126	14
Others	32	(100)	(103)
	<u>(392)</u>	<u>17</u>	<u>(682)</u>

8 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, research and development expenses and administrative expenses are analysed as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cost of material used	108,235	111,585	114,361
Auditor's remuneration			
– Audit services	20	83	235
Legal and professional fee	808	899	1,167
Amortisation and depreciation (<i>Note 14, 15</i>)	1,704	2,193	1,943
Employee benefit expenses (including directors' emoluments) (<i>Note 9</i>)	27,654	30,415	32,617
Consignment fee	24,467	22,800	28,466
Operating lease rentals	2,484	3,152	2,705
Decoration expenses	2,240	2,884	1,644
Advertising and promotion expenses	3,514	3,926	8,766
Listing expenses	–	–	11,097
Product design and inspection fee	1,201	966	2,149
Provision for bad debts expenses (<i>Note 18</i>)	–	–	652
Sundry expenses of consignment stores	8,988	7,314	8,863
Travelling and entertainment expenses	2,701	3,846	2,905
Transportation expenses	4,261	3,212	2,597
Others	7,648	10,026	9,222
	<u>195,925</u>	<u>203,301</u>	<u>229,389</u>
Total cost of sales, selling and distribution expenses, research and development expenses and administrative expenses	195,925	203,301	229,389

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Wages, salaries and benefits in kind (including directors' emoluments)	21,267	23,932	24,888
Bonuses	1,456	1,443	1,886
Retirement benefit costs			
– defined contribution plans	4,931	5,040	5,843
	<u>27,654</u>	<u>30,415</u>	<u>32,617</u>

Five highest paid individuals

For the years ended 31 December 2015, 2016 and 2017, the five individuals whose emoluments were the highest in the Group include 2, 2 directors and 1 director respectively, whose emoluments have been reflected in the analysis in Note 29. The emoluments paid/payable to the remaining individuals are as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Wages, salaries and benefits in kind	1,882	1,794	1,844
Bonuses	15	37	135
Retirement benefit costs – defined contribution plans	81	76	427
	<u>1,978</u>	<u>1,907</u>	<u>2,406</u>

The emoluments of the highest paid individuals fell within the following bands:

Emolument band	Year ended 31 December		
	2015	2016	2017
Nil to HK\$1,000,000	2	2	4
HK\$1,000,001 to HK\$1,500,000	1	1	–

10 FINANCE INCOME/(COSTS), NET

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Interest income:			
– Bank interest income	208	242	240
Finance income	<u>208</u>	<u>242</u>	<u>240</u>
Interest expenses:			
– Borrowings	–	(186)	(1,109)
– Amount due to a shareholder	–	(279)	–
– Others	(22)	(32)	(4)
Finance costs	<u>(22)</u>	<u>(497)</u>	<u>(1,113)</u>
Finance income/(costs), net	<u>186</u>	<u>(255)</u>	<u>(873)</u>

11 INCOME TAX EXPENSES

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Current income tax	3,203	3,779	5,842
Deferred income tax (<i>Note 24</i>)	(2)	98	(108)
	3,201	3,877	5,734
	3,201	3,877	5,734

(i) Cayman Islands profits tax

The Company is not subject to any taxation in the Cayman Islands.

(ii) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profits in Hong Kong during the Track Record Period.

(iii) The PRC enterprise income tax ("EIT")

Under the Enterprise Income Tax Law of the PRC (the "New EIT Law"), the applicable income tax rate for the Group's entities in the PRC, except for Miji Shanghai, is 25%.

Pursuant to the New EIT Law, with respect to a new and high technology enterprise, the tax levied on its income will be charged at a preferential rate of 15% after obtaining the High New Technology Enterprise Certificate (the "Certificate") and completing the tax reduction and exemption filing with the tax authorities. Miji Shanghai obtained the Certificate on 4 September 2014. The Certificate has expired on 3 September 2017. Miji Shanghai renewed the Certificate on 23 October 2017 and the Certificate will be expired on 22 October 2020.

(iv) Corporate income tax in Germany

Income tax on profits arising from Germany has been calculated on the estimated assessable profits for the year at the rate of approximately 30%.

(v) Withholding tax on distributed profits

Pursuant to the New EIT Law, a 10% withholding tax is levied on dividends declared by the PRC companies to their foreign investors. The Company has used 10% to estimate the provision for deferred income tax liabilities on retained earnings as at 31 December 2015, 2016 and 2017.

The tax on the Group's profit before income tax differs from the theoretical amount that used arise using the enacted tax rate of the subsidiaries now comprising the Group as follows:

	Year ended 31 December		
	2015 RMB'000	2016 RMB'000	2017 RMB'000
Profit before income tax	21,501	27,959	26,815
Add/(less): Share of loss/(profit) of an associate	60	(54)	(1,021)
	<u>21,561</u>	<u>27,905</u>	<u>25,794</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	5,482	7,032	7,845
Effects of the preferential tax rates	(1,996)	(2,896)	(3,592)
Expenses not deductible for tax purposes	143	80	2,205
Income not subject to tax	(63)	(4)	–
Utilisation of previously unrecognised tax losses	(37)	–	–
Tax losses for which no deferred tax assets was recognised	335	627	110
Tax relief on research and development cost (<i>Note (a)</i>)	(663)	(962)	(834)
	<u>(663)</u>	<u>(962)</u>	<u>(834)</u>
Income tax expenses	<u>3,201</u>	<u>3,877</u>	<u>5,734</u>

Note:

- (a) The Group is entitled to a tax relief from the tax authority in the PRC on eligible research and development cost incurred. The Group can claim an extra 50% tax deduction based on those eligible research and development cost incurred at an applicable tax rate. It is credited to the combined statements of comprehensive income during the years in which they are incurred.

12 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Track Record Period on a combined basis as disclosed in Note 1.3.

13 INVESTMENTS IN ASSOCIATES AND NON-CONTROLLING INTERESTS ("NCI")

(a) Investments in associates

The amount recognised in the combined statements of financial position is as follows:

	<i>RMB'000</i>
At 1 January 2015	60
Share of loss	<u>(60)</u>
At 31 December 2015	<u><u>–</u></u>
At 1 January 2016	–
Formation of an associate	3,900
Share of profit	<u>54</u>
At 31 December 2016	<u><u>3,954</u></u>
At 1 January 2017	3,954
Share of profit	1,021
Dividend received	<u>(50)</u>
At 31 December 2017	<u><u>4,925</u></u>

As at 31 December 2015 and 2016, the Controlling Shareholder held 30% equity interests in Tianjin Haoshi Technology Co., Ltd ("Tianjin Haoshi"). On 27 July 2017, the associate was disposed of to an independent third party at nil consideration.

During the year ended 31 December 2016, the Group and independent third parties set up Miji Xuanshang Intelligence Home Appliances (Shanghai) Company Limited ("Miji Xuanshang"). The Group invested RMB3,900,000 and holds 39% equity interests in Miji Xuanshang.

Management assessed that the Group has significant influence but not control over Tianjin Haoshi and Miji Xuanshang, as such, Tianjin Haoshi and Miji Xuanshang are accounted for as associates of the Group using equity method.

Set out below is the information of associates of the Group as at 31 December 2015, 2016 and 2017, which, in the opinion of the directors, is material to the Group. The associates listed below have share capital consisting solely of ordinary shares, which are held by the Group.

Nature of investments in associates as at 31 December 2015, 2016 and 2017:

Name	Place of incorporation	Principal activities	Effective interest held as at 2015	Effective interest held as at 2016	Effective interest held as at 2017
Tianjin Haoshi*	China	Trading of home & electric appliance	30%	30%	Nil
Miji Xuanshang	China	Trading of home & electric appliance	N/A	39%	39%

Tianjin Haoshi and Miji Xuanshang are private companies and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interests in the associates.

Summarised financial information for material associate

The management considered Tianjin Haoshi as an immaterial associate to the Group based on its relative size in terms of total assets, revenue and profit, as such, no financial information of Tianjin Haoshi has been presented.

Set out below is the summarised financial information of Miji Xuanshang which is accounted for by the Group using the equity method.

	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000
Assets and liabilities		
Total current assets	14,091	19,637
Total non-current assets	94	40
Total current liabilities	(4,046)	(7,048)
Total non-current liabilities	–	–
Net assets	10,139	12,629
	For the year ended 2016	2017
Profit or loss for the year		
Revenue	14,689	72,352
Profit and total comprehensive income for the year	139	2,622
Dividend declared and paid by associate to the Group	–	50
Interest in an associate (39%)	3,954	4,925

The information above reflects the amounts presented in the financial statements of the associate (and not Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

* For identification purpose only

(b) Non-controlling interests (“NCI”)

Set out below is summarised financial information for Miji Yongxing which has non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

Miji Yongxing

	As at 31 December		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Non current assets	634	487	378
Current assets	27,091	20,150	23,044
Current liabilities	(17,992)	(9,649)	(13,938)
Current net assets	<u>9,099</u>	<u>10,501</u>	<u>9,106</u>
Net assets	<u><u>9,733</u></u>	<u><u>10,988</u></u>	<u><u>9,484</u></u>
Accumulated NCI (49%)	<u><u>4,769</u></u>	<u><u>5,384</u></u>	<u><u>4,647</u></u>
	Year ended 31 December		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue	65,274	47,940	37,437
Total comprehensive income	1,951	1,256	2,064
Profit allocated to NCI	956	615	1,012
Dividends paid to NCI	–	–	1,448
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Cash flows generated (used in)/from operating activities	(1,038)	2,267	766
Cash flows generated from investing activities	2	3	3
Cash flows used in financing activities	–	–	(2,955)
Net (decrease)/increase in cash and cash equivalents	<u><u>(1,036)</u></u>	<u><u>2,270</u></u>	<u><u>(2,186)</u></u>

As at 31 December 2015, 2016 and 2017, all the cash and bank balances of Miji Yongxing was held in the PRC. These cash and bank balances are subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

(c) Transactions with non-controlling interests

During the year ended 31 December 2017, the Group acquired an additional 20% of the issued shares of Mikaiyi at a consideration of RMB600,000. The Group recognised an increase in non-controlling interests of RMB139,000 and a decrease in equity attributable to owners of the parent of RMB739,000. The effect on the equity attributable to the owners of Mikaiyi during the year is summarised as follows:

	2017 <i>RMB'000</i>
Consideration paid to non-controlling interests	600
Less: Carrying amount of non-controlling interests acquired	(139)
	<hr/>
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	739
	<hr/> <hr/>

There were no transactions with non-controlling interests for the year ended 31 December 2015 and 2016.

14 LAND USE RIGHT AND PROPERTY, PLANT AND EQUIPMENT – GROUP

	Land use right <i>RMB'000</i>	Buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Furniture, fixtures and office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Machinery <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 1 January 2015							
Cost	1,269	7,428	636	3,015	1,273	1,767	15,388
Accumulated amortisation and depreciation	(215)	(2,532)	(385)	(2,027)	(618)	(736)	(6,513)
Net book amount	<hr/> 1,054	<hr/> 4,896	<hr/> 251	<hr/> 988	<hr/> 655	<hr/> 1,031	<hr/> 8,875
Year ended 31 December 2015							
Opening net book amount	1,054	4,896	251	988	655	1,031	8,875
Additions	–	–	1,333	963	158	200	2,654
Amortisation and depreciation (Note 8)	(27)	(335)	(313)	(506)	(225)	(233)	(1,639)
Currency translation differences	–	–	–	(3)	3	(1)	(1)
Closing net book amount	<hr/> 1,027	<hr/> 4,561	<hr/> 1,271	<hr/> 1,442	<hr/> 591	<hr/> 997	<hr/> 9,889
Balance at 31 December 2015							
Cost	1,269	7,428	1,969	3,969	1,351	1,965	17,951
Accumulated depreciation and amortisation	(242)	(2,867)	(698)	(2,527)	(760)	(968)	(8,062)
Net book amount	<hr/> 1,027	<hr/> 4,561	<hr/> 1,271	<hr/> 1,442	<hr/> 591	<hr/> 997	<hr/> 9,889

	Land use right RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Total RMB'000
Year ended 31 December 2016							
Opening net book amount	1,027	4,561	1,271	1,442	591	997	9,889
Additions	-	-	-	140	399	91	630
Disposals	-	-	-	(9)	-	-	(9)
Amortisation and depreciation (Note 8)	(27)	(334)	(591)	(620)	(282)	(235)	(2,089)
Currency translation differences	-	-	-	1	1	2	4
Closing net book amount	1,000	4,227	680	954	709	855	8,425
Balance at 31 December 2016							
Cost	1,269	7,428	1,969	4,013	1,751	2,058	18,488
Accumulated depreciation and amortisation	(269)	(3,201)	(1,289)	(3,059)	(1,042)	(1,203)	(10,063)
Net book amount	1,000	4,227	680	954	709	855	8,425
Year ended 31 December 2017							
Opening net book amount	1,000	4,227	680	954	709	855	8,425
Additions	-	-	194	545	188	71	998
Disposals	-	-	-	(79)	(22)	-	(101)
Amortisation and depreciation (Note 8)	(27)	(334)	(524)	(402)	(254)	(200)	(1,741)
Currency translation differences	-	-	-	5	32	5	42
Closing net book amount	973	3,893	350	1,023	653	731	7,623
Balance at 31 December 2017							
Cost	1,269	7,428	2,014	3,885	1,758	2,137	18,491
Accumulated depreciation and amortisation	(296)	(3,535)	(1,664)	(2,862)	(1,105)	(1,406)	(10,868)
Net book amount	973	3,893	350	1,023	653	731	7,623

Amortisation and depreciation were included in the following categories in the combined statements of comprehensive income:

	Year ended 31 December		
	2015 RMB'000	2016 RMB'000	2017 RMB'000
Cost of sales	635	674	561
Distribution and selling expenses	448	675	565
Administrative expenses	374	543	426
Research and development expenses	182	197	189
	<u>1,639</u>	<u>2,089</u>	<u>1,741</u>

As at 31 December 2016 and 2017, the Group's land use right and buildings amounting to RMB5,227,000 and RMB4,866,000, respectively, were pledged as collateral for the Group's bank borrowings, details of which are set out in Note 23.

15 INTANGIBLE ASSETS – GROUP

	Software RMB'000	Website RMB'000	Total RMB'000
At 1 January 2015			
Cost	387	–	387
Accumulated amortisation	(120)	–	(120)
Net book amount	<u>267</u>	<u>–</u>	<u>267</u>
Year ended 31 December 2015			
Opening net book amount	267	–	267
Additions	515	–	515
Amortisation	(65)	–	(65)
Closing net book amount	<u>717</u>	<u>–</u>	<u>717</u>
At 1 January 2016			
Cost	902	–	902
Accumulated amortisation	(185)	–	(185)
Net book amount	<u>717</u>	<u>–</u>	<u>717</u>
Year ended 31 December 2016			
Opening net book amount	717	–	717
Additions	87	269	356
Amortisation	(82)	(22)	(104)
Currency translation differences	–	(2)	(2)
Closing net book amount	<u>722</u>	<u>245</u>	<u>967</u>

	Software <i>RMB'000</i>	Website <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2017			
Cost	989	267	1,256
Accumulated amortisation	(267)	(22)	(289)
Net book amount	722	245	967
Year ended 31 December 2017			
Opening net book amount	722	245	967
Additions	170	87	257
Amortisation	(101)	(101)	(202)
Currency translation differences	–	18	18
Closing net book amount	791	249	1,040
At 31 December 2017			
Cost	1,159	376	1,535
Accumulated amortisation	(368)	(127)	(495)
Net book amount	791	249	1,040

Amortisation was included in administrative expenses in the combined statements of comprehensive income.

16 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP

	Loans and receivables		
	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets as per combined statements of financial position			
Trade and bills receivables	18,675	40,835	43,205
Other receivables and deposits	3,825	3,973	4,531
Amounts due from the then associate and an associate	–	3,777	–
Amount due from a non-controlling interest	–	61	–
Cash and cash equivalents	33,121	19,279	61,585
Total	55,621	67,925	109,321

	Financial liabilities at amortised cost		
	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities as per combined statements of financial position			
Trade and other payables	42,467	27,501	37,514
Borrowings	–	6,000	40,000
Amounts due to the then associate and an associate	158	237	148
Amount due to a shareholder	17,096	20,511	–
Amounts due to non-controlling interests	322	–	2
	<u>60,043</u>	<u>54,249</u>	<u>77,664</u>
Total	<u>60,043</u>	<u>54,249</u>	<u>77,664</u>

17 INVENTORIES – GROUP

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Parts and components	9,422	7,109	7,961
Finished goods	47,177	28,473	36,998
	<u>56,599</u>	<u>35,582</u>	<u>44,959</u>
	<u>56,599</u>	<u>35,582</u>	<u>44,959</u>

For the years ended 31 December 2015, 2016 and 2017, the cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB106,654,000, RMB109,665,000 and RMB113,278,000, respectively.

18 TRADE AND BILL RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – GROUP AND COMPANY**(a) Trade and bill receivables – Group**

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables, gross	11,675	40,835	43,857
Less: Provision for impairment	–	–	(652)
	<u>11,675</u>	<u>40,835</u>	<u>43,205</u>
Trade receivables, net	11,675	40,835	43,205
Bills receivables	7,000	–	–
	<u>18,675</u>	<u>40,835</u>	<u>43,205</u>
	<u>18,675</u>	<u>40,835</u>	<u>43,205</u>

The carrying amounts of the trade and bills receivables approximate their fair value and are denominated in RMB.

Movements in the provision for impairment of trade receivables for the Group are as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Beginning of the year	–	–	–
Provision for impairment	–	–	652
End of year	–	–	652

The Group's credit terms to trade receivables are generally 30 to 365 days. The ageing analysis of the trade and bill receivables, based on invoice date, is as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
0–30 days	16,253	24,545	37,621
31–60 days	926	14,652	1,714
61–90 days	176	688	255
Over 90 days	1,320	950	3,615
	18,675	40,835	43,205

As at 31 December 2015, 2016 and 2017, trade receivables of RMB1,464,000, RMB4,050,000 and RMB353,000, respectively, were past due but not impaired.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

The ageing analysis of these trade receivables, based on due date, is as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Overdue:			
Less than 30 days	169	2,104	270
31–60 days	202	1,278	39
61–90 days	601	8	40
Over 90 days	492	660	4
	1,464	4,050	353

As of 31 December 2017, trade receivables of RMB652,000 were impaired. The impaired trade receivables were mainly related to customers which are in unexpectedly difficult situations. All of these receivables were aged over 365 days.

(b) Other receivables, deposit and prepayments – Group and Company

	Group			Company
	As at 31 December			As at
	2015	2016	2017	31 December
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Prepayments to suppliers	3,673	3,274	3,923	–
Prepayments for advertising expenses	–	–	6,250	–
Listing expenses	–	–	3,214	3,214
Deposits paid to consignment stores	2,279	3,018	2,169	–
Value added tax recoverable	29	94	235	–
Other receivables	1,546	955	2,421	–
Total	7,527	7,341	18,212	3,214

The listing expenses are incurred in connection with the listing of the Group and will be deducted from equity upon listing of the Group.

The carrying amounts of other receivables and deposits approximate their fair values and are mainly denominated in RMB.

19 CASH AND BANK BALANCES – GROUP AND COMPANY

	Group			Company
	As at 31 December			As at
	2015	2016	2017	31 December
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Cash at banks	33,079	19,204	61,570	72
Cash on hand	42	75	15	–
Cash and cash equivalents	33,121	19,279	61,585	72

The carrying amounts of cash and bank balances approximate their fair values and are denominated in the following currencies:

	Group			Company
	As at 31 December			As at
	2015	2016	2017	31 December
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
RMB	29,096	17,217	51,955	–
US dollars	24	25	2	–
Euro	3,915	884	950	–
Hong Kong dollars	86	1,153	8,678	72
	33,121	19,279	61,585	72

The bank balances generate interest at prevailing market interest rates of approximately 0.3%, 0.3% and 0.3% per annum for the years ended 31 December 2015, 2016 and 2017 respectively.

As at 31 December 2015, 2016 and 2017, the Group has cash at banks amounting to approximately RMB32,009,000, RMB17,246,000 and RMB51,857,000 respectively which are denominated in RMB, US dollars, EUR and Hong Kong dollars and held in the PRC. These cash and bank balances are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

20 SHARE CAPITAL AND COMBINED CAPITAL – GROUP AND COMPANY

	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$</i>	Equivalent nominal value of ordinary shares <i>RMB</i>
<i>Authorised:</i>			
Ordinary shares of HK\$0.01 each upon incorporation on 16 May 2017 and as at 31 December 2017	<u>38,000,000</u>	<u>380,000</u>	
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.01 each upon incorporation and on 16 May 2017 and as at 31 December 2017	<u>1</u>	<u>0.01</u>	<u>0.01</u>

The Company was incorporated with limited liability in the Cayman Islands on 16 May 2017 with an authorised share capital of 38,000,000 ordinary shares of HK\$0.01 each. On the same date, one ordinary share of HK\$0.01 was issued at par to Wide Big.

The Reorganisation has not been completed as at 31 December 2017. For the purpose of this Historical Financial Information, the combined capital in the combined statements of financial position as at 31 December 2015, 2016 and 2017 represents the combined share capital of the companies now comprising the Group after elimination of inter-company investments.

21 RESERVES – GROUP AND COMPANY

The reserve movement of the Group and the Company are as follows:

Group

	Statutory reserves RMB'000 (note i)	Exchange reserves RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2015	5,796	(110)	–	13,532	19,218
Profit for the year	–	–	–	17,523	17,523
Transfer to statutory reserves	341	–	–	(341)	–
Currency translation differences	–	(108)	–	–	(108)
Dividend	–	–	–	(16,715)	(16,715)
	<u>6,137</u>	<u>(218)</u>	<u>–</u>	<u>13,999</u>	<u>19,918</u>
At 31 December 2015	<u>6,137</u>	<u>(218)</u>	<u>–</u>	<u>13,999</u>	<u>19,918</u>
At 1 January 2016	6,137	(218)	–	13,999	19,918
Profit for the year	–	–	–	23,896	23,896
Transfer to statutory reserves	159	–	–	(159)	–
Currency translation differences	–	(116)	–	–	(116)
Dividend	–	–	–	(19,836)	(19,836)
	<u>6,296</u>	<u>(334)</u>	<u>–</u>	<u>17,900</u>	<u>23,862</u>
At 31 December 2016	<u>6,296</u>	<u>(334)</u>	<u>–</u>	<u>17,900</u>	<u>23,862</u>
At 1st January 2017	6,296	(334)	–	17,900	23,862
Profit for the year	–	–	–	20,394	20,394
Transfer to statutory reserves	3,058	–	–	(3,058)	–
Currency translation differences	–	332	–	–	332
Dividend	–	–	–	(26,357)	(26,357)
Acquisition of non-controlling interest (Note 13)	–	–	–	(739)	(739)
Capital injection from shareholders (Note 1.2)	–	–	19,319	–	19,319
Reclassification of the share capital of Miji Electronic and Appliances (Shanghai) Limited from combined capital to other reserves (Note 1.2)	–	–	4,055	–	4,055
Deemed distribution of Miji Germany (Note 1.2)	–	–	(1,333)	–	(1,333)
Capital injection from the Controlling Shareholder to a subsidiary (Note iii)	–	–	24,329	–	24,329
	<u>9,354</u>	<u>(2)</u>	<u>46,370</u>	<u>8,140</u>	<u>63,862</u>
At 31 December 2017	<u>9,354</u>	<u>(2)</u>	<u>46,370</u>	<u>8,140</u>	<u>63,862</u>

Company

	Shareholders' deficits <i>RMB'000</i>
At 16 May 2017 (Date of incorporation)	–
Loss for the year	(10,714)
	<hr/>
At 31 December 2017	(10,714)
	<hr/> <hr/>

Notes:

- (i) In accordance with the Laws of the PRC on Enterprises Operated Exclusively with Foreign Capital and the Articles of Association of the Group's subsidiaries incorporated in the PRC, an appropriation to the statutory reserves has to be made prior to profit distribution to the investor. The appropriation to the statutory reserve of these foreign investment enterprises shall be no less than 10% of the net profit until the accumulated appropriation exceeds 50% of the registered capital.
- (ii) During the year ended 31 December 2017, the controlling shareholder made cash contribution to the Group through capital injection to the companies now comprising the Group, which accounted for as an increase in reserve.
- (iii) During the year, the registered capital of Miji Shanghai was increased to US\$4,200,000 and fully paid by the controlling shareholder.

22 TRADE AND OTHER PAYABLES – GROUP AND COMPANY

	Group			Company
	As at 31 December			As at
	2015	2016	2017	31 December
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (<i>Note (a)</i>)	40,587	25,443	34,253	–
Other payables and accruals (<i>Note (b)</i>)	11,306	22,584	28,833	5,258
	<hr/>	<hr/>	<hr/>	<hr/>
	51,893	48,027	63,086	5,258
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Trade payables and other payables approximate their fair values and are denominated in RMB.

Notes:

(a) Trade payables – Group

As at 31 December 2015, 2016 and 2017, the ageing analysis of the trade payables, based on invoice date, is as follows:

	As at 31 December		
	2015 RMB'000	2016 RMB'000	2017 RMB'000
1–30 days	31,577	16,347	24,325
31–60 days	5,717	6,780	5,887
61–90 days	1,311	221	3,915
Over 90 days	1,982	2,095	126
	<u>40,587</u>	<u>25,443</u>	<u>34,253</u>

(b) Other payables

	Group			Company
	As at 31 December			As at 31 December
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2017 RMB'000
Accrued staff costs	3,093	2,983	3,667	–
Accrual for social security costs	6,034	6,361	6,823	–
VAT payable	299	11,182	9,825	–
Accrued listing expenses	–	–	5,258	5,258
Deposit from customers	1,266	1,722	1,730	–
Other payables	614	336	1,530	–
Total	<u>11,306</u>	<u>22,584</u>	<u>28,833</u>	<u>5,258</u>

23 BORROWINGS – GROUP

	As at 31 December		
	2015 RMB'000	2016 RMB'000	2017 RMB'000
Bank borrowings	<u>–</u>	<u>6,000</u>	<u>40,000</u>

The Group's bank borrowings were repayable within one year. The carrying amounts of bank borrowings approximated their fair values and were denominated in RMB.

These bank borrowing were carried at floating rates. The weighted average interest rates are 5.0% and 5.1% per annum as at 31 December 2016 and 2017, respectively.

As at 31 December 2015, 2016 and 2017, the exposure of the Group's borrowings to interest rate changes and the contractual repricing date at the end of the year are as follows:

	As at 31 December		
	2015 RMB'000	2016 RMB'000	2017 RMB'000
Within 6 months	–	6,000	40,000
Between 6 and 12 months	–	–	–
	<u>–</u>	<u>6,000</u>	<u>40,000</u>

As at 31 December 2015 and 2016, banking facilities of RMB9,200,000 and RMB13,000,000 were granted to the Group and the facilities are secured by the personal guarantee from a shareholder, the land use right and buildings of the Group (Note 14).

As at 31 December 2017, bank borrowings of RMB40,000,000 are secured by the land use rights and buildings of the Group (Note 14).

As at 31 December 2015, 2016 and 2017, total undrawn bank facilities amounted to approximately RMB9,200,000, RMB7,000,000 and nil, respectively.

24 DEFERRED INCOME TAX – GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off and the deferred income taxes relate to the same tax jurisdiction.

	As at 31 December		
	2015 RMB'000	2016 RMB'000	2017 RMB'000
At beginning of the year	92	94	(4)
Credited/(charged) to combined statements of comprehensive income	<u>2</u>	<u>(98)</u>	<u>108</u>
At end of the year	<u>94</u>	<u>(4)</u>	<u>104</u>

The movements in deferred income tax assets and liabilities during the year without taking into consideration the offsetting of balances with the same tax jurisdiction, are as follows:

Deferred income tax assets	Elimination on unrealised profit <i>RMB'000</i>
At 1 January 2015	151
Credited to the combined statements of comprehensive income	<u>10</u>
At 31 December 2015	<u>161</u>
At 1 January 2016	161
Charged to the combined statements of comprehensive income	<u>(91)</u>
At 31 December 2016	<u>70</u>
At 1 January 2017	70
Credited to the combined statements of comprehensive income	<u>116</u>
At 31 December 2017	<u>186</u>
Deferred income tax liabilities	Decelerated tax depreciation <i>RMB'000</i>
At 1 January 2015	(59)
Charged to the combined statements of comprehensive income	<u>(8)</u>
At 31 December 2015	<u>(67)</u>
At 1 January 2016	(67)
Charged to the combined statements of comprehensive income	<u>(7)</u>
At 31 December 2016	<u>(74)</u>
At 1 January 2017	(74)
Charged to the combined statements of comprehensive income	<u>(8)</u>
At 31 December 2017	<u>(82)</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2015, 2016 and 2017, the Group did not recognise deferred income tax assets of RMB848,000, RMB1,475,000 and RMB759,000 in respect of accumulated losses amounting to RMB4,047,000, RMB6,736,000 and RMB3,036,000 that can be carried forward against future taxable income. As at 31 December 2017, in respect of the accumulated losses, RMB623,000, RMB1,712,000, RMB570,000 and RMB131,000 will be expired in 2020, 2021, 2022 and 2023 respectively.

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 December		
	2015 RMB'000	2016 RMB'000	2017 RMB'000
Deferred income tax assets:			
– Recoverable within 12 months	161	70	186
Deferred income tax liabilities:			
– Recoverable after 12 months	(67)	(74)	(82)
	<u>94</u>	<u>(4)</u>	<u>104</u>

25 DIVIDENDS

	For the year ended 31 December		
	2015 RMB'000	2016 RMB'000	2017 RMB'000
Dividends	<u>16,715</u>	<u>19,836</u>	<u>26,357</u>

Dividends during the years ended 31 December 2015, 2016 and 2017 represented dividends declared by the companies now comprising the Group to the then equity holders of the companies, after elimination of intra-group dividends. No dividend was declared by the Company during the Track Record Period.

For the years ended 31 December 2015, 2016 and 2017, dividends of RMB16,715,000, RMB19,836,000 and RMB26,357,000 were declared on 3 April 2015, 3 November 2016 and 31 July 2017, respectively, by the companies now comprising the Group. All the dividends declared have been transferred to the amount due to a shareholder as disclosed in Note 26.

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

26 NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

Reconciliation of profit before income tax to cash generated from operations:

	For the year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities			
Profit before income tax	21,501	27,959	26,815
Adjustments for:			
Finance income	(208)	(242)	(240)
Finance costs	22	497	1,113
Loss on disposal of property, plant and equipment	–	9	31
Loss on disposal of subsidiaries	–	–	562
Amortisation and depreciation on land use right and property, plant and equipment	1,639	2,089	1,741
Amortisation of intangible assets	65	104	202
Provision for bad debts expenses	–	–	652
Exchange gain	(47)	(195)	(559)
Share of loss/(profit) of an associate	60	(54)	(1,021)
	<u>23,032</u>	<u>30,167</u>	<u>29,296</u>
Changes in working capital:			
Inventories	(14,979)	21,017	(9,377)
Trade and bills receivables	(5,528)	(22,160)	(3,022)
Other receivables, deposits and prepayments	598	186	(7,657)
Trade and other payables	3,384	(3,866)	9,801
Advance receipts from customers	12,051	(17,512)	(4,928)
Balances with the then associate and an associate	(487)	(3,698)	3,688
	<u>(14,979)</u>	<u>(14,979)</u>	<u>(14,979)</u>
Net cash generated from operations	<u>18,071</u>	<u>4,134</u>	<u>17,801</u>

In the combined statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	For the year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Net book amount	–	9	101
Loss on disposal of property, plant and equipment	–	(9)	(31)
	<u>–</u>	<u>(9)</u>	<u>(31)</u>
Proceeds from disposal of property, plant and equipment	–	–	70
	<u>–</u>	<u>–</u>	<u>70</u>

Non-cash transaction:

During the years ended 2015, 2016 and 2017, dividends payables of RMB16,715,000, RMB19,836,000 and RMB26,357,000, respectively were transferred to the amount due to a shareholder.

Reconciliation of liabilities arising from financing activities

This section sets out the reconciliation of liabilities arising from financing activities for each of the years ended 31 December 2015, 2016 and 2017.

	Bank borrowings	Amount due to a shareholder	Amounts due to non- controlling interests	Dividend payables	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2015	–	517	–	1,000	1,517
Non cash – dividend declared	–	16,715	–	–	16,715
Cash flow	–	(136)	322	(1,000)	(814)
At 31 December 2015	<u>–</u>	<u>17,096</u>	<u>322</u>	<u>–</u>	<u>17,418</u>
At 1 January 2016	–	17,096	322	–	17,418
Non cash – dividend declared	–	19,836	–	–	19,836
Cash flow	6,000	(16,421)	(322)	–	(10,743)
At 31 December 2016	<u>6,000</u>	<u>20,511</u>	<u>–</u>	<u>–</u>	<u>26,511</u>
At 1 January 2017	6,000	20,511	–	–	26,511
Non cash – dividend declared	–	26,357	–	–	26,357
Cash flow	34,000	(46,868)	2	–	(12,866)
At 31 December 2017	<u>40,000</u>	<u>–</u>	<u>2</u>	<u>–</u>	<u>40,002</u>

27 COMMITMENTS – GROUP AND COMPANY**Operating lease commitments – Group as lessee**

The Group leases office premises and warehouses under non-cancellable operating lease agreements. The lease terms range from 1 to 3 years, and the lease arrangements are renewable at the end of the lease period at market rate. The lease expenditure charged to the combined statements of comprehensive income during the Track Record Period is included in Note 8.

The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
No later than 1 year	2,936	2,555	1,869
Later than 1 year and no later than 5 years	<u>2,184</u>	<u>119</u>	<u>1,866</u>
	<u>5,120</u>	<u>2,674</u>	<u>3,735</u>

As at 31 December 2015, 2016 and 2017, the Company did not have any significant operating lease commitments.

As at 31 December 2015, 2016 and 2017, the Group and the Company did not have any significant capital commitments.

28 RELATED PARTIES BALANCES AND TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the Track Record Period:

Name of the related parties	Relationship with the Group
Madam Maeck	Controlling shareholder and director of the Company
Mr. Ji Bin	Father of Madam Maeck
Tianjin Haoshi	The then associate of the Group
Miji Xuanshang	Associate of the Group

- (b) **Transactions with related parties**

Save as disclosed elsewhere in the Historical Financial Information, during the Track Record Period, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	For the year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods to			
– Tianjin Haoshi	908	3,184	–
– Miji Xuanshang	–	1,710	2,209
	<u> </u>	<u> </u>	<u> </u>
Purchases of goods from			
– Miji Xuanshang	–	621	2,503
	<u> </u>	<u> </u>	<u> </u>
Interest expense to			
– Madam Maeck	–	279	–
	<u> </u>	<u> </u>	<u> </u>

The pricing of these transactions was determined based on mutual negotiation between the Group and the related parties.

(c) Key management compensation

Key management includes executive and non-executive directors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	For the year ended 31 December		
	2015 RMB'000	2016 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	1,354	1,763	2,768
Retirement benefit cost – defined contribution plans	171	196	430
	<u>1,525</u>	<u>1,959</u>	<u>3,198</u>

(d) Balances with related parties

	As at 31 December		
	2015 RMB'000	2016 RMB'000	2017 RMB'000
Amounts due (to)/from the then associate and an associate			
Tianjin Haoshi (<i>Note (i)</i>)	(158)	3,777	–
Miji Xuanshang (<i>Note (i)</i>)	–	(237)	(148)
	<u>–</u>	<u>3,540</u>	<u>(148)</u>
Amount due to a shareholder			
Madam Maeck (<i>Notes (ii)</i>)	17,096	20,511	–
	<u>17,096</u>	<u>20,511</u>	<u>–</u>

Notes:

Group

- (i) These balances were trading in nature, unsecured, interest free and denominated in RMB. These balances were with credit terms of 180 days and as at 31 December 2016, the balances were not yet due.

Tianjin Haoshi was no longer an associate company of the Group since the disposal on 27 July 2017. For details, please refer to Note 13.

- (ii) As at 31 December 2015, 2016 and 2017, the balances are unsecured, repayable on demand, denominated in RMB and interest free, except for RMB16,715,000 as at 31 December 2016 which bear interest of 3% per annum. As at 31 December 2017, all the amount due to a shareholder had been settled.

(e) Guarantees by a shareholder

The bank borrowings were supported by personal guarantees from a shareholder of the Company to the extent as follows:

	As at 31 December		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Madam Maeck	—	6,000	—

The above guarantees of the borrowings had been released in October 2017.

29 BENEFITS AND INTERESTS OF DIRECTORS**(a) Directors' and chief executive's emoluments**

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

Name	Fees <i>RMB'000</i>	Salary <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Housing allowance <i>RMB'000</i>	Estimated money value of other benefits <i>RMB'000</i>	Employer's contribution to a retirement benefit scheme <i>RMB'000</i>	Remunerations paid or receivable in respect of office as director <i>RMB'000</i>	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking <i>RMB'000</i>	Total <i>RMB'000</i>
Madam Maeck	—	780	—	—	—	120	—	—	900
Mr. Walter Ludwig Michel ("Mr. Michel")	—	348	—	—	—	—	—	—	348
Independent non-executive directors									
Mr. Wang Shih-Fang	—	—	—	—	—	—	—	—	—
Mr. Yan Chi Ming	—	—	—	—	—	—	—	—	—
Mr. Hooi Hing Lee	—	—	—	—	—	—	—	—	—
Total	—	1,128	—	—	—	120	—	—	1,248

For the year ended 31 December 2016:

Name	Fees <i>RMB'000</i>	Salary <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Housing allowance <i>RMB'000</i>	Estimated money value of other benefits <i>RMB'000</i>	Employer's contribution to a retirement benefit scheme <i>RMB'000</i>	Remunerations paid or receivable in respect of office as director <i>RMB'000</i>	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors									
Madam Maeck	-	804	-	-	-	120	-	-	924
Mr. Michel	-	366	-	-	-	-	-	-	366
Independent non-executive directors									
Mr. Wang Shih-Fang	-	-	-	-	-	-	-	-	-
Mr. Yan Chi Ming	-	-	-	-	-	-	-	-	-
Mr. Hooi Hing Lee	-	-	-	-	-	-	-	-	-
Total	-	1,170	-	-	-	120	-	-	1,290

For the year ended 31 December 2017:

Name	Fees <i>RMB'000</i>	Salary <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Housing allowance <i>RMB'000</i>	Estimated money value of other benefits <i>RMB'000</i>	Employer's contribution to a retirement benefit scheme <i>RMB'000</i>	Remunerations paid or receivable in respect of office as director <i>RMB'000</i>	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors									
Madam Maeck	-	768	-	-	-	121	-	-	889
Mr. Michel	-	383	-	-	-	-	-	-	383
Independent non-executive directors									
Mr. Wang Shih-Fang	-	-	-	-	-	-	-	-	-
Mr. Yan Chi Ming	-	-	-	-	-	-	-	-	-
Mr. Hooi Hing Lee	-	-	-	-	-	-	-	-	-
Total	-	1,151	-	-	-	121	-	-	1,272

Mr. Wang Shih-Fang, Mr. Yan Chi Ming and Mr. Hooi Hing Lee were appointed as the Company's independent non-executive directors on 23 June 2018. During the Track Record Period, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of independent non-executive directors.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the Track Record Period.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the Track Record Period.

(d) Consideration provided to third parties for making available directors' services

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 28 of this report, there are no loans, quasi-loans and other dealing in favour of directors, controlling bodies corporate by and connected entities with such directors during the years ended 31 December 2015, 2016 and 2017.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2015, 2016 and 2017.

30 AMOUNTS DUE FROM/(TO) NON-CONTROLLING INTERESTS – GROUP

The amounts receivable from and payable to non-controlling interests are unsecured, interest-free and repayable on demand. These balances were denominated in RMB.

31 AMOUNT DUE TO A SUBSIDIARY – COMPANY

The amount due to a subsidiary is unsecured, interest free, repayable on demand and denominated in RMB.

32 SUBSEQUENT EVENTS

Save as disclosed in the report, the following significant events took place subsequent to 31 December 2017:

- (i) The Reorganisation was completed on 21 June 2018 and the details are summarised in Note 1.2.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to 31 December 2017 and up to the date of this report. Except as disclosed in Note 25 in Section II, no dividend or distribution has been declared, made or paid by the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to 31 December 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of the Group attributable to owners of the Company as of 31 December 2017 as if the Share Offer had taken place on 31 December 2017 assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 December 2017 or at any future dates following the Share Offer. It is prepared based on the combined net tangible assets of the Group as at 31 December 2017 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 (Note 1) RMB'000	Estimated net proceeds from the Share Offer (Note 2) RMB'000	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as at 31 December 2017 RMB'000	Unaudited pro forma adjusted net tangible assets per Share (Note 3) RMB
Based on an Offer Price of HK\$0.30 per Share	62,823	81,099	143,922	0.10
Based on an Offer Price of HK\$0.36 per Share	62,823	98,899	161,722	0.11

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited combined net tangible assets attributable to owners of the Company as at 31 December 2017 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to owners of the Company as at 31 December 2017 of RMB63,863,000 with an adjustment for the intangible assets as at 31 December 2017 of RMB1,040,000.
- (2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK\$0.30 and HK\$0.36 per Share after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB14,310,000 which have been accounted for in the combined statements of comprehensive income prior to 31 December 2017) paid/payable by the Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,500,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue have been completed on 31 December 2017 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2017.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.20. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Miji International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Miji International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2017, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 29 June 2018, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 December 2017 as if the proposed initial public offering had taken place at 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended 31 December 2017, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 June 2018

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 May 2017 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (Memorandum) and its Amended and Restated Articles of Association (Articles).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 24 June 2018. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less

than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any

branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require)

interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the

Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or

otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form,

in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his

close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in

writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation

and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory,

consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair

upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 16 May 2017 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if

any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner

and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority,

or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 3 August 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up.

Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the

judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection – D. Documents Available for Inspection" in Appendix V of this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 16 May 2017. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 6 March 2018 and our principal place of business in Hong Kong is at Suites 6–12, 33/F, Shui On Centre, No.6–8 Harbour Road, Wan Chai, Hong Kong. Ms. Ho Wing Yan of Suites 6–12, 33/F, Shui On Centre, No.6–8 Harbour Road, Wan Chai, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 38,000,000 ordinary shares of par value HK\$0.01 each. One Share was allotted and issued nil paid to the subscriber on 16 May 2017, which was subsequently transferred to Wide Big on the same date.
- (b) On 24 June 2018, our Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$100,000,000 by the creation of 9,962,000,000 additional Shares, each ranking pari passu with our Shares then in issue in all respects.
- (c) Immediately following completion of the Capitalisation Issue and the Share Offer, assuming the Over-allotment Option is not exercised and taking no account of any Share which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, 1,500,000,000 Shares will be issued fully paid or credited as fully paid, and 8,500,000,000 Shares will remain unissued.
- (d) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “A. Further information about our Company – 3. Written resolutions of our Shareholders passed on 24 June 2018” in this Appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

- (e) Save as disclosed in the section headed “Share Capital” in this prospectus and in the paragraph headed “A. Further information about our Company – 2. Changes in share capital of our Company” in this Appendix, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our Shareholders passed on 24 June 2018

By written resolutions of our Shareholders passed on 24 June 2018:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) the authorised share capital of the Company be increased from HK\$380,000 (divided into 38,000,000 Shares of par value HK\$0.01 each) to HK\$100,000,000 (divided into 10,000,000,000 Shares of par value HK\$0.01 each) by the creation of an additional 9,962,000,000 Shares of par value HK\$0.01 each, each ranking *pari passu* with the existing Shares in all respects;
- (c) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus, including any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Over-allotment Option, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer and the granting of the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option to rank *pari passu* with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
 - (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue be approved, and the Directors were authorised to capitalise an amount of HK\$11,249,999

standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 1,124,999,900 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 24 June 2018 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking pari passu in all respects with our Shares then in issue, and the Directors were authorised to give effect to such capitalisation and distributions;

- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Over-allotment Option the Capitalisation Issue and the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to buy-back on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any

Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company bought-back by our Company pursuant to the mandate to buy-back Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group. The Reorganisation included the following major steps:

- (a) On 16 May 2017, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of par value HK\$0.01 per share. One nil-paid Share was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was later transferred to Wide Big on the same date.
- (b) Miji Holdings was incorporated in the BVI with limited liability on 18 May 2017 and is authorised to issue a maximum of 50,000 shares of US\$1.00 par value each of a single class.

- (c) One fully paid ordinary share of Miji Holdings was allotted and issued to Wide Big on 18 May 2017 at par.
- (d) Miji International was incorporated in the BVI with limited liability on 22 May 2017 and is authorised to issue a maximum of 50,000 shares of US\$1.00 par value each of a single class.
- (e) One fully paid ordinary share of Miji International was allotted and issued to Miji Holdings on 22 May 2017 at par.
- (f) Miji Investments was incorporated in Hong Kong with limited liability on 29 June 2017 with 10,000 issued shares and a total share capital of HK\$1.
- (g) 10,000 fully paid ordinary shares of Miji Investments were allotted and issued to Miji International on 29 June 2017 at par.
- (h) Pursuant to an equity transfer agreement dated 27 July 2017 entered into between Madam Maeck and an Independent Third Party, referred to in item (e) of the paragraph headed “B. Further information about the business – 1. Summary of material contracts” in this Appendix, Madam Maeck transferred 30% equity interest in Tianjin Haoshi to an Independent Third Party at nil consideration.
- (i) Pursuant to an equity transfer agreement dated 21 August 2017 entered into between, among others, Miji Shanghai and an Independent Third Party, referred to in item (f) of the paragraph headed “B. Further information about the business – 1. Summary of material contracts” in this Appendix, Miji Shanghai transferred 80% equity interest in Shanghai Catering to an Independent Third Party at a consideration of RMB300,000.
- (j) Pursuant to an equity transfer agreement dated 21 August 2017 entered into between Madam Maeck and Miji Investments, referred to in item (g) of the paragraph headed “B. Further information about the business – 1. Summary of material contracts” in this Appendix, Madam Maeck transferred the entire issued share capital of Miji Shanghai to Miji Investments at a consideration of RMB20,000,000.
- (k) 79 shares of Miji Holdings were allotted and issued to Wide Big, credited as fully paid, on 13 September 2017 at par.
- (l) Pursuant to the Shunzhi Subscription Agreement and Haitong Subscription Agreement, referred to in items (a) and (b) of the paragraph headed “B. Further information about the business – 1. Summary of material contracts” in this Appendix, five and 15 shares of Miji Holdings were allotted and issued to Shunzhi and Haitong, respectively, credited as fully paid, on 13 September 2017 at consideration of HK\$5,800,000 and HK\$17,400,000, respectively.

- (m) Pursuant to an equity transfer agreement dated 9 March 2017 entered into between, among others, Miji Shanghai and Mr. Yu, referred to in item (d) of the paragraph headed “B. Further information about the business – 1. Summary of material contracts” in this Appendix, Mr. Yu transferred 20% equity interest in Mikaiyi to Miji Shanghai at a consideration of RMB600,000.
- (n) Pursuant to a sale and purchase agreement dated 5 October 2017 entered into between Madam Maeck and Miji Investments, referred to in item (h) of the paragraph headed “B. Further information about the business – 1. Summary of material contracts” in this Appendix, Madam Maeck transferred the entire issued share capital of Miji Germany to Miji Investments at a consideration of EUR200,000.
- (o) On 18 October 2017, Miji Shanghai transferred its entire issued shares in Miji Hong Kong to, an Independent Third Party at a nominal consideration of HK\$1 pursuant to an instrument of transfer and bought and sold notes all dated 18 October 2017, referred to in item (i) and (j) respectively of the paragraph headed “B. Further information about the business – 1. Summary of material contracts” in this Appendix.
- (p) Pursuant to the sale and purchase agreement dated 21 June 2018 referred to in item (k) of the paragraph headed “B. Further Information about the business – 1. Summary of material contracts” in this Appendix, our Company agreed to acquire respectively from (1) Wide Big 80 shares of Miji Holdings; (2) Shunzhi five shares of Miji Holdings and (3) Haitong 15 shares of Miji Holdings, which in aggregate represent the entire issued shares of Miji Holdings and in consideration, (i) the one nil paid Share held by Wide Big was credited as fully paid, and (ii) 79 Shares, five Shares and 15 Shares, all credited as fully paid, were allotted and issued to Wide Big, Shunzhi and Haitong, respectively.

Immediately after completion of the share transfer referred to in item (p) above, our Company then became the holding company of our Group.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus. Save for the alterations described in paragraph headed “B. Further information about our Company – 4. Corporate reorganisation” in this Appendix, no changes in the share capital of the subsidiaries of our Company took place within the two years immediately preceding the date of this prospectus.

6. Buy-back of our Shares by our Company

This section includes information required by the Stock Exchange to be included in the prospectus concerning the buy-back of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed buy-backs of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on 24 June 2018, a general unconditional mandate (the "Buy-back Mandate") was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares representing up to 10% of the aggregate of the nominal value of the share capital in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Share which may fall to be allotted and issued under the Over-allotment Option or pursuant to the exercise of options which may be granted under the Share Option Scheme, and the Buy-back Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Buy-back Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Buy-backs must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not buy-back its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any buy-backs by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the buy-back or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the buy-back, out of profits of our Company or out of our Company's share premium account before or at the time

our Shares are bought-back or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a “core connected person”, which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for buy-backs

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to buy-back Shares in the market. Such buy-backs may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such buy-backs will benefit our Company and our Shareholders.

(c) Exercise of the Buy-back Mandate

Exercise in full of the Buy-back Mandate, on the basis of 1,500,000,000 Shares in issue after completion of the Capitalisation Issue and the Share Offer, could accordingly result in up to 150,000,000 Shares being bought-back by our Company during the period in which the Buy-back Mandate remains in force.

(d) Funding of buy-back

In buying-back Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Buy-back Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention if the Buy-back Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a buy-back of Shares pursuant to the Buy-back Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a buy-back pursuant to the Buy-back Mandate.

Our Directors will not exercise the Buy-back Mandate if the buy-back would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Buy-back Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the Shunzhi Subscription Agreement;
- (b) the Haitong Subscription Agreement;
- (c) the Investors' Rights Agreement;
- (d) an equity transfer agreement in Chinese dated 9 March 2017 entered into among Miji Shanghai, Mr. Yu and Mikaiyi in relation to the transfer of 20% equity interest in Mikaiyi from Mr. Yu to Miji Shanghai at a consideration of RMB600,000, details of which are set out in item (m) of the paragraph headed "A. Further information about our Company – 4. Corporate reorganisation" in this Appendix;

- (e) an equity transfer agreement in Chinese dated 27 July 2017 entered into between Madam Maeck and Ms. Zhang Yingzhi (張穎志), in relation to the transfer of the 30% equity interest in Tianjin Haoshi from Madam Maeck to Ms. Zhang at nil consideration, details of which are set out in item (h) of the paragraph headed “A. Further information about our Company – 4. Corporate reorganisation” in this Appendix;
- (f) an equity transfer agreement in Chinese dated 21 August 2017 entered into among Miji Shanghai, Ms. Tan Qinfang (談琴芳) (“**Ms. Tan**”), Ms. Song Yun (宋昀) and Shanghai Catering in relation to, among others, the transfer of the 80% equity interest in Shanghai Catering from Miji Shanghai to Ms. Tan at a consideration of RMB300,000, details of which are set out in item (i) of the paragraph headed “A. Further information about our Company – 4. Corporate reorganisation” in this Appendix;
- (g) an equity transfer agreement in Chinese dated 21 August 2017 entered into between Madam Maeck and Miji Investments in relation to the transfer of the entire issued share capital of Miji Shanghai from Madam Maeck to Miji Investments at a consideration of RMB20,000,000, details of which are set out in item (j) of the paragraph headed “A. Further information about our Company – 4. Corporate reorganisation” in this Appendix;
- (h) a sale and purchase agreement dated 5 October 2017 entered into between Madam Maeck and Miji Investments in relation to the transfer of the entire issued share capital of Miji Germany from Madam Maeck to Miji Investments at a consideration of EUR200,000, details of which are set out in item (n) of the paragraph headed “A. Further information about our Company – 4. Corporate reorganisation” in this Appendix;
- (i) an instrument of transfer dated 18 October 2017 entered into between Miji Shanghai and Ms. Chen Juping (陳菊平) (“**Ms. Chen**”) in relation to the transfer of 300,000 Shares, being the entire issued shares, in Miji Hong Kong from Miji Shanghai to Ms. Chen at a consideration of HK\$1, details of which are set out in item (o) of the paragraph headed “A. Further information about our Company – 4. Corporate reorganisation” in this Appendix;
- (j) a bought and sold notes dated 18 October 2017 entered into between Miji Shanghai and Ms. Chen in relation to the transfer of 300,000 Shares, being the entire issued shares, in Miji Hong Kong from Miji Shanghai to Ms. Chen at a consideration of HK\$1, details of which are set out in item (o) of the paragraph headed “A. Further information about our Company – 4. Corporate reorganisation” in this Appendix;
- (k) a sale and purchase agreement dated 21 June 2018 entered among our Company, Wide Big, Shunzhi and Haitong Dynamic Multi-Tranche Investment Fund III S.P., a segregated portfolio of, and for and on behalf of, Haitong Global



Investment SPC III, Madam Maeck and our Company in relation to our Company's acquisition of 80 shares, five shares and 15 shares in Miji Holdings, in aggregate representing its entire issued shares, from Wide Big, Shunzhi and Haitong, respectively, in consideration of (i) crediting the one nil paid Share held by Wide Big as fully paid, and (ii) allotment and issue of 79 Shares, five Shares and 15 Shares, all credited as fully paid, to Wide Big, Shunzhi and Haitong, respectively, details of which are set out in item (p) of the paragraph headed "A. Further information about our Company – 4. Corporate reorganisation" in this Appendix;









- (l) a deed of non-competition dated 24 June 2018 executed by Madam Maeck in favour of our Company, details of which are set out in the paragraph headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in this prospectus;
- (m) a deed of non-competition dated 24 June 2018 executed by Wide Big in favour of our Company, details of which are set out in the paragraph headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in this prospectus;
- (n) a deed of indemnity dated 24 June 2018 executed by Madam Maeck and Wide Big in favour of our Company containing the indemnities referred to in the paragraph headed "E Other Information – 1. Tax and other indemnities" in this Appendix; and
- (o) the Public Offer Underwriting Agreement.

2. Intellectual property rights








(a) Trademarks






As at the Latest Practicable Date, our Group had applied for registration of the following trademarks which are material to our Group, the registration of which has not yet been granted:

Trademark	Class	Application Number	Application Date	Place of Application	Applicant
 Miji PRO	8	20024645	20 May 2016	PRC	Miji Germany
 Miji PRO	20	20024644	20 May 2016	PRC	Miji Germany











Trademark	Class	Application Number	Application Date	Place of Application	Applicant
 Miji PRO	42	20024643	20 May 2016	PRC	Miji Germany
 Miji Design Germany	11	24808099	16 June 2017	PRC	Miji Germany
 Miji Design Germany	20	20024640	20 May 2016	PRC	Miji Germany
 Miji Design Germany	20	26585564	25 September 2017	PRC	Miji Germany
 M ⁺	20	20024620	20 May 2016	PRC	Miji Germany
 M ⁺	21	20024619	20 May 2016	PRC	Miji Germany
 M ⁺	3	20024618	20 May 2016	PRC	Miji Germany
 M ⁺	7	20024617	20 May 2016	PRC	Miji Germany
 M ⁺	8	20024616	20 May 2016	PRC	Miji Germany
 M ⁺	11	20024615	20 May 2016	PRC	Miji Germany
 M ⁺	42	20024614	20 May 2016	PRC	Miji Germany












As at the Latest Practicable Date, our Group has registered the following trademarks which are material to our Group:




Trademark	Class	Registration Number	Registration Date	Expiry Date	Place of Registration	Registered Owner
	11	304254804	29 August 2017	28 August 2027	Hong Kong	Miji Germany
炉友会	21	8954996	28 December 2011	27 December 2021	PRC	Miji Shanghai
炉友会	11	8954952	28 December 2011	27 December 2021	PRC	Miji Shanghai
	21	20024642	7 July 2017	6 July 2027	PRC	Miji Germany (Note)
	42	20024641	7 July 2017	6 July 2027	PRC	Miji Germany (Note)
	42	20024639	7 July 2017	6 July 2027	PRC	Miji Germany (Note)
	3	20024638	7 October 2017	6 October 2027	PRC	Miji Germany
	7	20024637	14 July 2017	13 July 2027	PRC	Miji Germany (Note)
	8	20024636	7 July 2017	6 July 2027	PRC	Miji Germany (Note)
	20	20024635	14 July 2017	13 July 2027	PRC	Miji Germany (Note)

Trademark	Class	Registration Number	Registration Date	Expiry Date	Place of Registration	Registered Owner
	42	20024634	7 July 2017	6 July 2027	PRC	Miji Germany (Note)
MKY 米凯艺	3	20024632	14 July 2017	13 July 2027	PRC	Miji Germany (Note)
MKY 米凯艺	7	20024631	14 July 2017	13 July 2027	PRC	Miji Germany (Note)
MKY 米凯艺	8	20024630	7 July 2017	6 July 2027	PRC	Miji Germany (Note)
MKY 米凯艺	11	20024629	14 July 2017	13 July 2027	PRC	Miji Germany (Note)
MKY 米凯艺	42	20024628	7 July 2017	6 July 2027	PRC	Miji Germany (Note)
	3	20024627	7 July 2017	6 July 2027	PRC	Miji Germany (Note)
	7	20024626	7 July 2017	6 July 2027	PRC	Miji Germany (Note)
	8	20024625	7 July 2017	6 July 2027	PRC	Miji Germany (Note)
	11	20024624	7 July 2017	6 July 2027	PRC	Miji Germany (Note)
	20	20024623	7 July 2017	6 July 2027	PRC	Miji Germany (Note)

Trademark	Class	Registration Number	Registration Date	Expiry Date	Place of Registration	Registered Owner
MKY 米凯艺	20	20024622	7 July 2017	6 July 2027	PRC	Miji Germany (Note)
MKY 米凯艺	21	20024621	7 July 2017	6 July 2027	PRC	Miji Germany (Note)
	3	16648123	14 January 2018	13 January 2028	PRC	Miji Germany
	7	16648122	14 July 2017	13 July 2027	PRC	Miji Germany (Note)
	8	16648121	21 June 2017	20 June 2027	PRC	Miji Germany (Note)
厨德法	21	15089744	21 September 2015	20 September 2025	PRC	Miji Germany (Note)
厨德法	11	15089743	21 September 2015	20 September 2025	PRC	Miji Germany (Note)
	11	12300564	28 May 2016	27 May 2026	PRC	Miji Germany (Note)
	21	12300563	28 August 2014	27 August 2024	PRC	Miji Germany (Note)
	3	20024633	21 October 2017	20 October 2027	PRC	Miji Germany
	11	12300562	28 August 2014	27 August 2024	PRC	Miji Germany (Note)

Trademark	Class	Registration Number	Registration Date	Expiry Date	Place of Registration	Registered Owner
 Miji PRO	21	12300561	28 August 2014	27 August 2024	PRC	Miji Germany (Note)
 米技生活 Design Germany	11	12300560	28 May 2016	27 May 2026	PRC	Miji Germany
 米技生活 Design Germany	21	12300559	28 August 2014	27 August 2024	PRC	Miji Germany
 Miji Home Design Germany	11	12300558	28 August 2014	27 August 2024	PRC	Miji Germany (Note)
 Miji Home Design Germany	21	12300557	28 August 2014	27 August 2024	PRC	Miji Germany (Note)
 Miji DESIGN Germany	11	7354559	7 July 2012	6 July 2022	PRC	Miji Germany
 Miji DESIGN Germany	21	7354558	28 October 2011	27 October 2021	PRC	Miji Germany
米技炉	11	6116337	21 February 2010	20 February 2020	PRC	Miji Germany (Note)
 Miji 米技	21	5382798	7 August 2011	6 August 2021	PRC	Miji Germany
 Miji 米技	11	3055098	7 June 2013	6 June 2023	PRC	Miji Germany
 Miji Design Germany	11, 21	40-1149477	17 December 2015	17 December 2025	Korea	Miji Germany

Trademark	Class	Registration Number	Registration Date	Expiry Date	Place of Registration	Registered Owner
	11	302114540	15 December 2011	14 December 2021	Hong Kong	Miji Germany
	11, 21	01626328	1 February 2014	31 January 2024	Taiwan	Miji Germany
 Design Germany	11	01727949	16 September 2015	15 September 2025	Taiwan	Miji Germany
	11, 21	2431185	21 November 2012	21 November 2022	India	Miji Germany
	11, 21	1525723	13 September 2012	13 September 2022	Australia	Miji Germany
 Design Germany	11, 21	DE302013051322	19 December 2013	30 September 2023	Germany	Miji Germany (Note)
 Design Germany	11, 21	DE302013051325	19 December 2013	30 September 2023	Germany	Miji Germany (Note)
 Design Germany	11, 21	DE302013051323	19 December 2013	30 September 2023	Germany	Miji Germany (Note)
	11, 21	DE302012037792	6 September 2012	31 July 2022	Germany	Miji Germany
	3, 11, 21, 35, 39, 42	DE30162346	29 April 2003	31 October 2021	Germany	Miji Germany
 Design Germany	11, 21	012145355	11 March 2014	17 September 2023	EUIPO	Miji Germany

Trademark	Class	Registration Number	Registration Date	Expiry Date	Place of Registration	Registered Owner
	11, 21	011187432	18 March 2013	13 September 2022	EUIPO	Miji Germany
	11, 21	1189682	18 September 2013	18 September 2023	WIPO (The International Bureau of the World Intellectual Property Organization)	Miji Germany
	11, 21	1134640	13 September 2012	13 September 2022	WIPO (The International Bureau of the World Intellectual Property Organization)	Miji Germany

Note: Miji Germany has granted to Miji Shanghai an exclusive licence to use the trademark in the PRC.

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names:

Registrant	Domain Name	Registration Date	Expiry Date
Miji Shanghai	miji.com.cn	3 June 2002	3 July 2028
Miji Shanghai	mijishop.com.cn	28 June 2017	28 June 2022
The Company	mijiholdings.com	19 October 2017	19 October 2018

(c) Patent

As at the Latest Practicable Date, our Group had applied for registration of the following patents which are material to our Group, the registration of which has not yet been granted:

No.	Patent	Application Number	Application Date	Place of Application	Applicant
1	一種加速爐具升溫的控制方法 A method to control heat acceleration of the kitchen stove	201710670842.1	8 August 2017	PRC	Miji Shanghai

As at the Latest Practicable Date, our Group has registered the following patents in the PRC which are material to our Group:

No.	Patent name	Registration Number	Registration date	Duration	Registered Owner
1.	手持式攪拌棒及其處理方法 Stirring bar and its manual	ZL201310101032.6	26 March 2013	20 years	Miji Shanghai
2.	一種電磁爐具遠程智能信息採集系統 An induction cooker with remote intelligent information collection system	ZL201210167463.8	25 May 2012	20 years	Miji Shanghai
3.	一種減震減噪的吸油煙機 Grease pump with shock and noise absorber	ZL201210138086.5	4 May 2012	20 years	Miji Shanghai
4.	新型散熱結構的電磁爐 An induction cooker with latest heat dissipation system	ZL201210138085.0	4 May 2012	20 years	Miji Shanghai

No.	Patent name	Registration Number	Registration date	Duration	Registered Owner
5.	一種閉環控制溫度的保溫輻熱爐組件 A set of kitchen utensils with closed-loop control to control heat loss by radiation	ZL201521135422.6	31 December 2015	10 years	Miji Shanghai
6.	一種具有鍋底溫度傳感器的鍋具 A pot with temperature sensor at the bottom	ZL201520988591.8	2 December 2015	10 years	Miji Shanghai
7.	一種設有機械定時器的機械式旋鈕控制功率設定的輻熱爐 A heating furnace with mechanical timer and knob for output power control	ZL201520403922.7	12 June 2015	10 years	Miji Shanghai
8.	一種電灶面板的包邊保護結構 A kind of edge protecting system for electric kitchen panel	ZL201420455990.3	13 August 2014	10 years	Miji Shanghai
9.	一種設有減震隔熱結構的電灶 A kind of electric stove installed with heat resistant and shock absorption system	ZL201420456007.X	13 August 2014	10 years	Miji Shanghai

No.	Patent name	Registration Number	Registration date	Duration	Registered Owner
10.	一種防止冷凝水的電灶 A kind of electric stove installed with condensation prevention system	ZL201420456008.4	13 August 2014	10 years	Miji Shanghai
11.	一種帶有電子秤功能的灶具 A kind of stove with electronic scales	ZL201420456876.2	13 August 2014	10 years	Miji Shanghai
12.	一種民用紅外輻熱電爐的複合開關電路 A compound switch circuit for home-used infrared radiant electric stove	ZL201420429565.7	31 July 2014	10 years	Miji Shanghai
13.	一種閉環控制的民用紅外輻熱電爐 An infrared electric stove with a kind of close-loop control	ZL201420430395.4	31 July 2014	10 years	Miji Shanghai
14.	一種輻熱、電磁混合灶的控制器安裝盒 A kind of installation box of the controller of the MAX Cooker	ZL201320447413.5	25 July 2013	10 years	Miji Shanghai
15.	一種易於散熱的多模塊化電磁感應灶 A kind of electromagnetic induction stove with heat dissipation thermal design	ZL201320447414.X	25 July 2013	10 years	Miji Shanghai

No.	Patent name	Registration Number	Registration date	Duration	Registered Owner
16.	一種輻熱、電磁混合灶的爐座 A kind of stove with radiation and electromagnetic system	ZL201320447433.2	25 July 2013	10 years	Miji Shanghai
17.	一種電灶的多模塊安裝結構 A kind of multi-module mounting structure for electric stove	ZL201320449041.X	25 July 2013	10 years	Miji Shanghai
18.	一種改進散熱結構的臺式電磁爐 A kind of desktop induction cooker with improved heat dissipation structure	ZL201220200247.4	4 May 2012	10 years	Miji Shanghai
19.	一種改進的商用電磁爐散熱結構 A kind of improved dissipation structure for commercial induction cooker	ZL201220200248.9	4 May 2012	10 years	Miji Shanghai
20.	一種減少金屬板與微晶玻璃板固化時間的爐體結構 A furnace structure that can reduce the condensation time for metal plate and ceramic glass plate	ZL201120518339.2	13 December 2011	10 years	Miji Shanghai

No.	Patent name	Registration Number	Registration date	Duration	Registered Owner
21.	具有高效散熱功能的全封閉大功率商用電磁爐 A commercial induction cooker with fully-enclosed power and efficient heat dissipation function	ZL201020211945.5	31 May 2010	10 years	Miji Shanghai
22.	一種用於定位電磁爐鍋具位置的糾偏器 A correction device that use to position the electric induction cooker	ZL201020211934.7	31 May 2010	10 years	Miji Shanghai
23.	一種台、嵌兩用免安裝電磁爐 A kind of dual use induction cooker that is free from installation	ZL201020211924.3	31 May 2010	10 years	Miji Shanghai
24.	三點縱向彈簧爐盤固定結構 3-Axis horizontal furnace tub spring hanger with stabilization system	ZL201020211905.0	31 May 2010	10 years	Miji Shanghai
25.	移動式太陽能光伏廚房的輻熱爐控制系統 Mobile solar photovoltaic system of radiant heat stove	ZL201020211893.1	31 May 2010	10 years	Miji Shanghai

No.	Patent name	Registration Number	Registration date	Duration	Registered Owner
26.	一種電磁爐微晶 玻璃面板的矽膠 包邊結構 A kind of induction cooker with silicone wrapping system for the class-ceramic panel	ZL201020210304.8	31 May 2010	10 years	Miji Shanghai
27.	遠紅外輻熱爐 (I1600) Far-infrared radiant heat furnace (I1600)	ZL201030686164.7	20 December 2010	10 years	Miji Shanghai
28.	遠紅外輻熱爐 (ITE2000FI) Far-infrared radiant heat furnace (ITE2000FI)	ZL201030686046.6	20 December 2010	10 years	Miji Shanghai
29.	遠紅外輻熱爐 (IEE1600) Far-infrared radiant heat furnace (IEE1600)	ZL201030686005.7	20 December 2010	10 years	Miji Shanghai
30.	遠紅外輻熱爐 (ICook2000) Far-infrared radiant heat furnace (ICook2000)	ZL201030685999.0	20 December 2010	10 years	Miji Shanghai
31.	電陶爐(微晶IEE1500FI) Electric ceramic cooker (Chip IEE1500FI)	ZL201130060734.6	30 March 2011	10 years	Miji Shanghai
32.	遠紅外輻熱爐 (暢想 icook) Far-infrared radiant heat furnace	ZL201130302253.1	31 August 2011	10 years	Miji Shanghai

No.	Patent name	Registration Number	Registration date	Duration	Registered Owner
33.	觸摸台嵌兩用式 電磁灶 Dual use induction cooker with touch panel for desktop use/installation	ZL201330351916.8	25 July 2013	10 years	Miji Shanghai
34.	觸摸便携式 電灶台(輻熱爐) Portable electric stove with touch panel (radiant heat stove)	ZL201330351924.2	25 July 2013	10 years	Miji Shanghai
35.	小型觸摸便携式 電灶台(輻熱爐) Portable electric stove with small touch panel (radiant heat stove)	ZL201330352093.0	25 July 2013	10 years	Miji Shanghai
36.	旋鈕便携式 電灶(輻熱爐) Portable electric stove with knob (radiant heat stove)	ZL201330352151.X	25 July 2013	10 years	Miji Shanghai
37.	小型旋鈕便携式 電灶(輻熱爐) Portable electric stove with small knob (radiant heat stove)	ZL201330352152.4	25 July 2013	10 years	Miji Shanghai
38.	手持攪拌棒 Stirrer	ZL201330082851.1	26 March 2013	10 years	Miji Shanghai
39.	便携式輻熱爐 (旋鈕式) Portable radiant heat furnace (Knob)	ZL201630252160.5	17 June 2016	10 years	Miji Shanghai
40.	便携式輻熱爐 (觸摸式) Portable radiant heat furnace (touch panel)	ZL201630252172.8	17 June 2016	10 years	Miji Shanghai

No.	Patent name	Registration Number	Registration date	Duration	Registered Owner
41.	便攜式電磁灶 (觸摸式) Portable induction cooker (touch panel)	ZL201630252414.3	17 June 2016	10 years	Miji Shanghai
42.	遠紅外輻熱爐 (Cube 系列) Far-infrared radiant heat furnace (Cube series)	ZL201730419811.X	6 September 2017	10 years	Miji Shanghai
43.	嵌入式爐具中易於安裝 的固定支撐件 Fixed supporting parts for easy installation into embedded kitchen stoves	ZL201721086096.3	28 August 2017	10 years	Miji Shanghai

(d) Software

As at the Latest Practicable Date, our Group owned the copyright of the following software in the PRC:

No.	Software	Registration no.	Version	Registrant	Date of first issue	Date of registration
1	米技智能廚房爐具遠程數據 服務系統採集卡嵌入式軟件 Long distance data service system capture card embedded software for Miji intelligence kitchen stove	2012SR096126	V1.0	Miji Shanghai	1 March 2012	13 October 2012

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Interest and short positions of Directors in the Shares, underlying Shares or debentures of our Company and its associated corporations

- (a) Immediately following completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option, the interests and short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) Long position in our Shares

Name of Director	Capacity/Nature	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Placing	Percentage of Interest immediately following completion of the Capitalisation Issue and the Placing
Madam Maeck	Interest in controlled corporation ^(Note 1)	900,000,000	60%
Mr. Michel	Interest of spouse ^(Note 2)	900,000,000	60%

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares held/ Interested	Percentage of interest
Madam Maeck	Wide Big	Beneficial owner	1	100%

Notes:

- (1) The entire issued share capital of Wide Big is legally and beneficially owned by Madam Maeck. Accordingly, Madam Maeck is deemed to be interested in the 900,000,000 Shares held by Wide Big by virtue of the SFO.
- (2) Mr. Michel is the spouse of Madam Maeck and is therefore deemed to be interested in all the Shares held by Madam Maeck through Wide Big.

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer, and Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

(iii) Long positions in the Shares

Name	Capacity/Nature	Number of Shares held/ interested immediately following completion of the Capitalisation Issue and the Placing	Percentage of interest immediately following completion of the Capitalisation Issue and the Placing
Wide Big	Beneficial owner ^(Note 1)	900,000,000	60%
Haitong Global Investment SPC III for and on behalf of Haitong Dynamic Multi-Tranche Investment Fund III S.P.	Beneficial owner ^(Note 2)	168,750,000	11.25%

Notes:

- (1) The entire issued share capital of Wide Big is legally and beneficially owned by Madam Maeck.
- (2) Haitong is a segregated portfolio of Haitong Funds Company. The Haitong Manager has been managing the funds and assets of Haitong for institutional and private clients. Haitong had defined investment objectives and mandates to invest in a wide range of companies. Investors of the funds were required to effectively delegate, without recourse, the investment decisions and voting powers of the Shares to the Haitong Manager. The Haitong Manager has no other connection with our Company.

2. Particulars of service agreements

No Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the Track Record Period were approximately RMB1,248,000, RMB1,290,000 and RMB1,272,000, respectively.

- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2018 will be approximately RMB1,420,000.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	<i>RMB</i>
Madam Maeck	1,000,000
Mr. Michel	388,300
Independent non-executive Directors	
Mr. Wang Shih-fang (王世方)	106,200
Mr. Yan Chi Ming (甄子明)	106,200
Mr. Hooi Hing Lee (許興利)	106,200

4. Fees or commission received

Save as disclosed in the section headed “Underwriting” in this prospectus, none of our Directors or the experts named in the paragraph headed “E. Other Information – 7. Consents of experts” in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under notes 28 to the Accountant’s Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;

- (b) none of our Directors or the experts named in the paragraph headed “E. Other Information – 7. Consents of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “E. Other Information – 7. Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of Shares which may be taken up under the Share Offer, and Shares to be issued pursuant to options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the top five customers or top five suppliers of our Group.

D. SHARE OPTION SCHEME

1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	24 June 2018, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolutions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 24 June 2018:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor,

supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before listing.

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(e) Maximum number of Shares

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 150,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 150,000,000 Shares from time to time) to the participants under the Share Option Scheme.

- (ii) The 10% limit (150,000,000 Shares) as mentioned above may be refreshed at any time by approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 150,000,000 Shares, 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the Listing Rules in this regard.
- (iii) Subject to sub-paragraph (iv) below, our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 450,000,000 Shares, 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our

Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) *Grant of options to certain connected persons*

- (i) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (ii) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (a) representing in aggregate over 0.1% of our Shares in issue; and
 - (b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by our Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by our Shareholders in the aforesaid manner

(h) *Restrictions on the times of grant of options*

- (i) Our Company may not grant any options after inside information has come to its knowledge until such inside information has been announced. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

- (b) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published:
 - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(j) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(k) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that our Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (n) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, and

in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(p) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value

(q) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already lapsed or exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business

Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(s) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“Suspension Date”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavor to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(t) Lapse of options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the period referred to in paragraph (i) above;

- (ii) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (o), (q), (r) or (s) above;
- (iv) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;
- (v) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (vi) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (vii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

(u) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(v) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier pursuant to paragraph (x) below.

(w) Alteration to the Share Option Scheme

- (i) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.

- (ii) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(x) Termination to the Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, our Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

3. Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in 150,000,000 Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Madam Maeck and Wide Big (collectively, the “Indemnifiers”) have, under a deed of indemnity referred to in item (l) of the paragraph headed “B. Further information about the business – 1. Summary of material contracts” in this Appendix, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things, (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of Section 35 and/or Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on

the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional; (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional; (c) any penalties claims, actions, demands, proceedings, suits, judgments, losses, payments, liabilities, damages, settlement payments, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings whether criminal, administrative, contractual, tortuous or otherwise, instituted by or against any member of our Group in relation to any act, non-performance, omission, events or otherwise occurred on or before the date on which the Share Offer becomes unconditional; and (ii) any non-compliance with the applicable laws, rules or regulations by any member of our Group on or before the date on which the Share Offer becomes unconditional except that provisions, reserve or allowance has been made for such liabilities in the audited combined financial statements of our Company or any other member of our Group for the Track Record Period (if any). The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited combined financial statements of any member of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of our Group after 31 December 2017 up to and including the date of which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Save as disclosed in the paragraph headed “Business – Legal proceedings” in this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of any options which may be under the Share Option Scheme.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sole Sponsor, pursuant to which our Company agreed to pay HK\$5,000,000 to the Sole Sponsor to act as the sponsor to our Company for purposes of the Share Offer.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$50,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Dakin Capital Limited	A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Appleby	Legal advisers of the Company as to Cayman Islands law
Shu Jin Law Firm	PRC attorneys-at-law
China Insights Consultancy Limited	Independent Market Consultant

7. Consents of experts

Each of Dakin Capital Limited, PricewaterhouseCoopers, Appleby, Shu Jin Law Firm and China Insights Consultancy Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Taxation of holders of Shares***(a) Hong Kong***

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 December 2017 (being the date to which the latest audited combined financial statements of our Group were made up).

11. Miscellaneous

- (a) No share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;
 - (i) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;
 - (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or our subsidiaries; and
 - (iv) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Neither our Company nor any of the subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save as disclosed in the section headed “Underwriting” in this prospectus, none of the parties listed in the paragraph headed “E. Other Information – 7. Consents of experts” in this Appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.
- (d) The branch register of members of our Company will be maintained in Hong Kong by our Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.

- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) We have no outstanding convertible debt securities.
- (h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law.
- (i) The English text of this prospectus shall prevail over the Chinese text.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) copies of the material contracts referred to in the paragraph headed “Statutory and General Information – B. Further Information about the Business – 1. Summary of Material Contracts” in Appendix IV in this prospectus; and
- (c) the written consents referred to in the paragraph headed “Statutory and General Information – E. Other Information – 7. Consent of Experts” in Appendix IV in this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at 1501–2, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the Accountant’s Report and the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the texts of which are set out in Appendices I and II to this prospectus, respectively;
- (c) the audited combined financial statements of our Company as have been prepared for the companies comprising our Group for the Track Record Period;
- (d) the legal opinions prepared by our PRC Legal Advisor in respect of certain aspect of our Group and our property interests in the PRC.
- (e) the letter of advice prepared by Appleby, our Cayman Islands legal adviser, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the CIC Report referred to in the section headed “Industry Overview”;
- (g) the material contracts referred to the paragraph headed “Statutory and General Information – B. Further Information about the business – 1. Summary of Material Contracts” in Appendix IV in this prospectus;

- (h) the written consents referred to in the paragraph headed “Statutory and General Information – E. Other Information – 7. Consent of Experts” in Appendix IV in this prospectus;
- (i) the Companies Law; and
- (j) the rules of the Share Option Scheme.

Miji International Holdings Limited
米技國際控股有限公司



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Germany