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This summary aims to give you an overview of the information contained in this prospectus. Since this 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 in this prospectus. You should read this prospectus in its entirety, including our financial statements and the accompanying notes, 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 out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used herein are defined in the sections headed “Definitions” and “Glossary of technical terms” in this prospectus.

OVERVIEW

Our Group is an advanced product developer and industrial designer as well as manufacturer and supplier for a broad range of electrothermic household appliances mainly to overseas markets, covering over 30 countries and regions to cater for the requirements of different customers. Most of our revenue during the Track Record Period was generated from our customers in developed countries, such as Germany, France, the United Kingdom and the Netherlands.

We primarily focus on the development and/or application of new technology and products to expand our product portfolio, and the improvement of our existing products in terms of appearance, dimensions, capabilities, functionalities and production cost. Our electrothermic household products can be grouped into two categories, namely: (i) garment care appliances, including steam generator irons, garment steamers and steam irons; and (ii) cooking appliances, including coffee machines, steam cooking appliances and other cooking appliances. According to the F&S Report, we had a market share of approximately 2.3% in terms of export value of electric smoothing irons (include steam generator irons and steam irons), approximately 1.5% for pump driven coffee machines and approximately 0.4% for baby food makers, soup makers and food steamers in the PRC in 2018.

We have experienced an increase in our revenue from approximately HK\$361.1 million for FY2016 to approximately HK\$373.5 million for FY2018, and from approximately HK\$106.6 million for 4M2018 to approximately HK\$144.6 million for 4M2019; and our profit after tax increased from approximately HK\$23.0 million for FY2016 to approximately HK\$38.0 million for FY2018, and from approximately HK\$2.9 million for 4M2018 to approximately HK\$5.2 million for 4M2019. The below table sets forth the breakdown of our revenue, sales volume and average selling price per unit attributable to products under different categories:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	Sales volume	Average selling price per unit	Sales volume	Average selling price per unit	Sales volume	Average selling price per unit	Sales volume	Average selling price per unit	Sales volume	Average selling price per unit
	'000 units	HK\$	'000 units	HK\$	'000 units	HK\$	'000 units	HK\$	'000 units	HK\$
Garment care appliances										
— Steam generator irons	242	294.7	177	315.4	192	368.6	63	372.4	43	353.8
— Garment steamers	390	112.8	423	106.5	107	112.0	67	112.7	16	129.7
— Steam irons	899	132.8	778	136.5	674	131.8	214	139.3	230	131.5
Sub-total of garment care appliances	1,531	153.3	1,378	150.2	973	176.3	344	177.0	289	164.4
Cooking appliances										
— Coffee machines	30	713.2	40	965.3	94	1,228.7	10	758.1	61	1,190.3
— Steam cooking appliances ^(Note 1)	460	189.8	515	190.2	383	195.6	166	192.5	87	206.0
— Other cooking appliances ^(Note 2)	62	232.0	64	223.9	49	235.3	24	257.4	25	257.7
Sub-total of cooking appliances	552	223.1	619	244.2	526	383.3	200	228.0	173	559.4
Others ^(Note 3)	17	190.8	4	157.7	1	149.2	1	131.5	1	208.7
Total	2,100	171.9	2,001	179.3	1,500	248.9	545	195.6	463	312.2

Despite that the total sales volume of our products decreased during the Track Record Period, our total revenue remained stable during FY2016, FY2017 and FY2018 with our revenue from the sales of coffee machines increased significantly from approximately HK\$21.5 million in FY2016 to approximately HK\$115.2 million in FY2018 whilst our sales volume of coffee machines significantly increased by more than two times from approximately 30,000 units in FY2016 to approximately 94,000 units in FY2018 with the average unit price increased from approximately HK\$713.2 to approximately HK\$1,228.7 during the same period. Our coffee machines comprise relatively more parts and components than our other products. A typical coffee machine comprises approximately 50 sub-

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assembled units with over 300 parts and components in total to be assembled together throughout the entire production process. The production utilisation rate of our large-scale plastic injection moulding machines for production of plastic housings for coffee machines was approximately 81.9%, 84.3% and 86.4% for FY2016, FY2017 and FY2018, respectively, and further reached approximately 90.3% for 4M2019, demonstrating a strong need to increase our production capacity in the coming years to cater for the demands of our customers.

	FY2016 Revenue		FY2017 Revenue		FY2018 Revenue		4M2018 Revenue		4M2019 Revenue	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
Garment care appliances										
— Steam generator irons	71,210	19.7	55,791	15.6	70,745	18.9	23,605	22.2	15,232	10.5
— Garment steamers	44,025	12.2	44,988	12.5	11,970	3.2	7,562	7.1	2,117	1.5
— Steam irons	119,383	33.1	106,251	29.6	88,853	23.8	29,777	27.9	30,240	20.9
Sub-total of garment care appliances	234,618	65.0	207,030	57.7	171,568	45.9	60,944	57.2	47,589	32.9
Cooking appliances										
— Coffee machines	21,499	6.0	38,924	10.8	115,155	30.8	7,450	7.0	72,444	50.1
— Steam cooking appliances ^(Note 1)	87,342	24.1	97,879	27.3	74,904	20.1	31,995	30.0	17,951	12.4
— Other cooking appliances ^(Note 2)	14,383	4.0	14,372	4.0	11,656	3.1	6,020	5.7	6,487	4.5
Sub-total of cooking appliances	123,224	34.1	151,175	42.1	201,715	54.0	45,465	42.7	96,882	67.0
Others ^(Note 3)	3,229	0.9	596	0.2	179	0.1	154	0.1	91	0.1
Total	361,071	100.0	358,801	100.0	373,462	100.0	106,563	100.0	144,562	100.0

The below table sets forth the breakdown of our gross profit and gross profit margin during the Track Record Period by products under different categories:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Garment care appliances										
— Steam generator irons	22,738	31.9	16,618	29.8	20,867	29.5	6,014	25.5	4,750	31.2
— Garment steamers	12,235	27.8	12,313	27.4	3,010	25.1	1,704	22.5	552	26.1
— Steam irons	35,452	29.7	30,399	28.6	22,433	25.2	6,857	23.0	8,720	28.8
Sub-total of garment care appliances	70,425	30.0	59,330	28.7	46,310	27.0	14,575	23.9	14,022	29.5
Cooking appliances										
— Coffee machines	6,106	28.4	11,588	29.8	35,420	30.8	1,974	26.5	23,736	32.8
— Steam cooking appliances ^(Note 1)	25,916	29.7	30,637	31.3	20,546	27.4	7,736	24.2	5,562	31.0
— Others cooking appliances ^(Note 2)	3,923	27.3	3,896	27.1	3,032	26.0	1,414	23.5	1,773	27.3
Sub-total of cooking appliances	35,945	29.2	46,121	30.5	58,998	29.2	11,124	24.5	31,071	32.1
Others ^(Note 3)	785	24.3	140	23.5	37	20.7	30	19.6	20	21.7
Total	107,155	29.7	105,591	29.4	105,345	28.2	25,729	24.1	45,113	31.2

Notes:

- (1) Steam cooking appliances refer to food steamers and baby food makers.
- (2) Others cooking appliances refer to soup makers and milk bottle warmers.
- (3) Others mainly refer to consumer electronics products, cleaning products and air purifiers.

Revenue from the sales of garment care appliances accounted for approximately HK\$234.6 million, HK\$207.0 million, HK\$171.6 million and HK\$47.6 million for FY2016, FY2017, FY2018 and 4M2019, respectively, representing 65.0%, 57.7%, 45.9% and 32.9% of total revenue for the corresponding periods. Revenue from the sales of cooking appliances accounted for approximately HK\$123.2 million, HK\$151.2 million, HK\$201.7 million and HK\$96.9 million for FY2016, FY2017, FY2018 and 4M2019, respectively, representing 34.1%, 42.1%, 54.0% and 67.0% of total revenue of the corresponding periods. Such increase during the Track Record Period was attributable to the significant increase in the sales of coffee machines mainly as a result of the launch of new models of fully automatic coffee machine which was well recognised by our customers.

We experienced an increasing trend in demand for coffee machines. To cater for this market demand, our Group has shifted our efforts to focus on manufacturing coffee machines. On the other hand, we manufactured fewer steam generator irons as a result of our adjustment of focus from steam generator irons to coffee machines in FY2017.

For FY2016, FY2017, FY2018 and 4M2019, the sales volume of cooking appliances was approximately 552,000 units, 619,000 units, 526,000 units and 173,000 units, respectively, and the average selling price per unit of our cooking appliances was HK\$223.1, HK\$244.2, HK\$383.3 and HK\$559.4, respectively. The increase in average selling price during the Track Record Period and the significant increase in the sales of coffee machines were mainly as a result of the launch of new models of fully automatic coffee machine as mentioned above. The average selling price of coffee machines

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remained stable at a level of approximately HK\$1,200 between FY2018 and 4M2019 and the slight price fluctuation during the corresponding period was primarily due to the sales of a combination of different models of coffee machines with different unit prices in 4M2019, resulting in a slight decrease in average selling price of coffee machine during the corresponding period.

For FY2016, FY2017, FY2018 and 4M2019, the sales volume of garment care appliances was approximately 1.5 million units, 1.4 million units, 1.0 million units and 289,000 units, respectively, and the average selling price per unit of our garment care appliances was HK\$153.3, HK\$150.2, HK\$176.3 and HK\$164.4, respectively. As our Group devoted intensive efforts to strengthen our sales and marketing activities for coffee machines in order to capture the potential business opportunities, we had allocated more resources, including our production capacity, to coffee machine, which correspondingly reduced the production capacity of garment care appliances; therefore, we were more selective in securing sale orders for steam generator irons, which were of higher gross profit margin among our products in garment care appliances. As a result, we experienced an increase in average unit price of steam generator irons with decrease in sales volume for FY2016, FY2017 and FY2018. The average selling price per unit and the sales volume of our garment care appliances decreased in 4M2019 was due to the fact that new models were still under development.

For FY2016, FY2017, FY2018 and 4M2019, the gross profit margin for garment care appliances sold by our Group was approximately 30.0%, 28.7%, 27.0% and 29.5%, respectively; while the gross profit margin for cooking appliances during the same period was approximately 29.2%, 30.5%, 29.2% and 32.1%, respectively. During the Track Record Period, our gross profit margin decreased from 29.4% for FY2017 to 28.2% for FY2018. Such slight decrease was mainly due to the increase in unit price of plastic which was one of our major raw material components, and time was required to renegotiate contract terms with our customers for price adjustment to cover the increased cost. Our gross profit margin increased to approximately 31.2% for 4M2019. The increase in the gross profit margin for cooking appliances from approximately 24.5% for 4M2018 to 32.1% for 4M2019 was mainly a result of (i) the depreciation of RMB against USD during the corresponding period; and (ii) the increase in the sales of coffee machines, which was driven by increase in number of unit sold and relatively higher gross profit margin of approximately 32.8%. The increase in our gross profit margin for garment care appliances from approximately 23.9% for 4M2018 to approximately 29.5% for 4M2019 was mainly attributable to the depreciation of RMB during the corresponding period as mentioned above.

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

	FY2016		FY2017		FY2018		4M2018		4M2019	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
ODM business	166,328	46.1	151,145	42.1	213,911	57.3	48,307	45.3	94,807	65.6
OEM business	194,743	53.9	207,656	57.9	159,551	42.7	58,256	54.7	49,755	34.4
Total	361,071	100.0	358,801	100.0	373,462	100.0	106,563	100.0	144,562	100.0

For FY2016, FY2017, FY2018 and 4M2019, revenue from our ODM business was approximately HK\$166.3 million, HK\$151.1 million, HK\$213.9 million and HK\$94.8 million, respectively, representing 46.1%, 42.1%, 57.3% and 65.6% of total revenue of the corresponding periods. Revenue from our OEM business accounted for approximately HK\$194.7 million, HK\$207.7 million, HK\$159.6 million and HK\$49.8 million for FY2016, FY2017, FY2018 and 4M2019, respectively, representing 53.9%, 57.9%, 42.7% and 34.4% of total revenue of the corresponding periods.

The primary raw materials used in our production are mainly electrical parts, plastic raw materials and parts, metal raw materials and parts, power cords and lead wires, and electronic parts. For FY2016, FY2017, FY2018 and 4M2019, our material costs accounted for approximately 63.2%, 64.1%, 65.5% and 68.1% of our cost of sales, respectively.

Our headquarters in Hong Kong carry out the functions of overall business operation, sales and marketing, product design, and financial and strategic management, whilst our production facilities located in our Huizhou Factory carry out the research and development, procurement, production, and quality assurance functions.

With over 10 years of operating history, we have good knowledge and experience in the technology in relation to pressure, volume and temperature, steam, motor, electronics and electrical circuits as well as strong design, research and development capabilities. We therefore have developed

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and/or applied the technology, including thermodynamics, pump pressure, motor-driven, coffee brewing system, electronic control and user-interface programming in our products. In addition, various know-how and crafts are applied to our production process of electrothermic household appliances, such as injection moulding, metal stamping, aluminium die-casting, hot plate/induction welding, automatic electrostatic spraying system, automatic glue dispenser system, automatic steam promotor spraying system, laser etching and automatic testing system.

With over a decade of operations since the establishment of Tunbow (Huizhou) in 2005, our Group has been expanding our sales network and has built up the reputation in the electrothermic household appliances manufacturing industry.

In 2006, we successfully designed the first generation of our fully automatic coffee machine, where our second and third generation were launched in 2010 and 2016, respectively. In 2018, our testing laboratory of Town Ray (Huizhou) was appointed as a suitable customer's testing facility stage 1 by TÜV Rheinland and accredited with a certificate of approval by DEKRA Certification B.V.. For further details of our business model, please refer to the section headed "Business — Our business model" in this prospectus.

Our customers and suppliers

We had over 100 customers contributed revenue to us during the Track Record Period. Some of them are reputable and internationally recognised brand companies headquartered in Europe (including Germany, France, the United Kingdom and the Netherlands). Our sales to our five largest customers for FY2016, FY2017, FY2018 and 4M2019 accounted for approximately 70.9%, 67.5%, 59.0% and 71.1% of our total revenue, respectively, while our sales to our largest customer accounted for approximately 23.5%, 20.7%, 15.5% and 33.7% of our total revenue of the corresponding years/period, respectively. We have maintained stable relationships with most of our five largest customers for the Track Record Period of approximately seven years to 11 years. For further details of our customers, please refer to the section headed "Business — Our customers".

During the Track Record Period, we engaged more than 400 suppliers. Most of them are located in the PRC. The primary raw materials used in our production process are electrical parts, plastic raw materials and parts, metal raw materials and parts, power cords and lead wires, and electronic parts. For FY2016, FY2017, FY2018 and 4M2019, our material costs represented 63.2%, 64.1%, 65.5% and 68.1% of our cost of sales, respectively. We have maintained stable relationships with our suppliers during the Track Record Period. As at the Latest Practicable Date, we have business relationships ranging from two to 13 years with our five largest suppliers. For further details of our suppliers, please refer to the section headed "Business — Our suppliers" in this prospectus.

Intellectual property

As at the Latest Practicable Date, our Group has registered over 50 patents (including invention patents and utility patents), over 40 designs and over 10 trademarks in the PRC, Hong Kong, the EU, Turkey and Hungary. We have also applied for registration of over 30 patents and five trademarks in the PRC. For further details of the trademark and patents which are material to the business of our Group and our domain names, please refer to the section headed "Business — Intellectual property rights" in this prospectus.

COMPETITIVE STRENGTHS

We believe our success and potential for further growth are attributable to our following competitive strengths: (i) we have established strong presence in the electrothermic household appliances manufacturing industry with long-term relationships with our major customers and suppliers; (ii) we drive the industrial technology and know-hows ahead to position ourselves as one of the leading market players; (iii) we have strong design, research and development capabilities; (iv) we maintain stringent control over our quality; (v) we have a diversified product portfolio; and (vi) we have an experienced and competent management team. For further details of our competitive strengths, please refer to the section headed "Business — Competitive strengths" in this prospectus.

BUSINESS STRATEGIES

Our principal business objective is to strengthen our position in electrothermic household appliances manufacturing industry. We intend to achieve these objectives by implementing the following strategies: (i) upgrading our production facilities and enhancing our production capacity; (ii)

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strengthening our product design and development capabilities and increasing our product offerings; (iii) strengthening our customer base; and (iv) upgrading our information technology systems. For further details of our business strategies and future plans, please refer to the section headed “Business — Business strategies and future plans” in this prospectus.

OUR SHAREHOLDERS

Our Controlling Shareholders are Modern Expression, Dr. Chan who is our non-executive Director and the chairman of our Board, and Ms. Cheng who is the spouse of Dr. Chan and a non-executive Director.

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme), our Company will be owned as to 53.41% by Modern Expression. Dr. Chan and Ms. Cheng, being the joint legal and beneficial owners of the entire issued share capital of Modern Expression, are indirectly holding 53.41% of the issued share capital of our Company and regarded as our Controlling Shareholders under the Listing Rules.

Each of our Controlling Shareholders, Directors and their respective close associates does not have any interest apart from the business of our Group which competes or is likely to compete, directly or indirectly with the business of our Group and which requires disclosure pursuant to Rule 8.10 of the Listing Rules. For further details of our Controlling Shareholders, please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus.

SUMMARY OF HISTORICAL FINANCIAL PERFORMANCE

Business Transfer

As part of the Reorganisation, Town Ray (Huizhou) was established in 2017 and Tunbow (Huizhou) transferred its design, manufacture and sale of electrothermic household appliances business to Town Ray (Huizhou) in 2018. Such Business Transfer was completed on 31 December 2018. There is no material change in business operation before and after the Business Transfer, and our Directors do not anticipate any significant impact on our Group’s financial performance from the business of manufacture and sales of electrothermic household appliances before and after the Business Transfer, where the Business Transfer had been assumed to have taken place at the beginning of the Track Record Period. For details, please refer to the paragraph headed “Financial information — Overview — Business transfer” in this prospectus.

The tables below set out the summary of the audited financial information of our Group for FY2016, FY2017, FY2018 and 4M2019. For further details of our financial information, please refer to the Accountants’ Report in Appendix I to this prospectus.

Highlights of consolidated statements of profit or loss

	FY2016 HK\$’000	FY2017 HK\$’000	FY2018 HK\$’000	4M2018 HK\$’000	4M2019 HK\$’000
Revenue	361,071	358,801	373,462	106,563	144,562
Cost of sales	(253,916)	(253,210)	(268,117)	(80,834)	(99,449)
Gross profit	107,155	105,591	105,345	25,729	45,113
Other income and gains, net	4,888	32,605	8,202 ^(Note)	1,009	1,778
Selling and distribution costs	(10,121)	(7,711)	(8,691)	(2,665)	(2,426)
General and administrative expenses	(58,424)	(65,746)	(57,176)	(18,026)	(30,082)
Other expenses, net	(8,394)	(5,430)	(865)	(2,627)	(2,987)
Finance costs	(1,046)	(294)	(885)	(293)	(1,093)
Profit before tax	34,058	59,015	45,930	3,127	10,303
Income tax expense	(11,091)	(9,551)	(7,891)	(236)	(5,055)
Profit for the year/period	<u>22,967</u>	<u>49,464</u>	<u>38,039</u>	<u>2,891</u>	<u>5,248</u>

Note: It mainly included the non-recurring gain of approximately HK\$30.0 million on disposal of a piece of land to the local government in Huizhou, the PRC.

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Non-HKFRS measure:

	FY2016	FY2017	FY2018	4M2018	4M2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year/period	22,967	49,464	38,039	2,891	5,248
<i>After adjustment of one-off gain/loss</i>					
Less: Gain on disposal of held for sales assets (net of tax)	—	(22,522)	—	—	—
Add: Loss on disposal of property, plant and equipment, and associated expenses (net of tax)	6,474	1,268	65	—	—
Add: Listing expenses	—	—	—	—	11,826
Adjusted net profit for the year/period	<u>29,441</u>	<u>28,210</u>	<u>38,104</u>	<u>2,891</u>	<u>17,074</u>

We believe that the presentation of non-HKFRS measure in conjunction with the corresponding HKFRS measures provides useful information to investor regarding financial and business trends and results of operations, by eliminating (i) one-off gain on disposal of held for sales assets, (ii) loss on disposal of property, plant and equipment, and associated expenses; and (iii) Listing expenses, which our Directors consider irrelevant to our operating performance. We also believe that such non-HKFRS measure is appropriate for evaluating our Group's operating performance.

We recorded significant other income and gains in FY2017, which was mainly attributable to the gain on disposal of a piece of land to the local government in Huizhou, the PRC, of approximately HK\$30.0 million. This gain was non-recurring in nature and we may not be able to record such gain in the future. For details, please refer to the section headed "Financial information — Period to period comparison of results of operations — FY2017 compared to FY2016" to this prospectus.

Highlights of consolidated statements of financial position

	As at 31 December			As at
	2016	2017	2018	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total non-current assets	167,923	170,010	66,482	65,696
Total current assets	257,840	325,957	203,417	237,217
Total current liabilities	173,990	222,429	114,581	140,911
Net current assets	83,850	103,528	88,836	96,306
Total assets less current liabilities	251,773	273,538	155,318	162,002
Net assets	250,067	271,864	136,472	142,530

We recorded net current assets of approximately HK\$83.9 million, HK\$103.5 million, HK\$88.8 million and HK\$96.3 million as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, respectively. For further details of our financial position, please refer to the section headed "Financial information — Net current assets" in this prospectus. We recorded a decrease in net assets from approximately HK\$271.9 million as at 31 December 2017 to approximately HK\$136.5 million as at 31 December 2018, primarily attributable to a deemed distribution by our Group to Tunbow Investments (BVI) (which is controlled by our Controlling Shareholders) in connection with the Reorganisation comprising the assets and liabilities of Tunbow (Huizhou) not transferred, assigned or novated to Town Ray (Huizhou) as at 31 December 2018 including mainly the land and the factory premises held by Tunbow (Huizhou). For details, please refer to note 29 of the Accountants' Report as set out in Appendix I to this prospectus.

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Highlights of consolidated statements of cash flows

	FY2016	FY2017	FY2018	4M2018	4M2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating cash flows before movements in working capital	66,167	56,456	63,597	10,116	18,835
Net cash flows from operating activities	53,841	7,035	106,173	45,436	3,138
Net cash flows from/(used in) investing activities	(6,586)	(16,737)	13,874	(16,336)	(1,463)
Net cash flows from/(used in) financing activities	(34,545)	(24,111)	(93,118)	(11,592)	13,580
Net increase/(decrease) in cash and cash equivalents	12,710	(33,813)	26,929	17,508	15,255
Cash and cash equivalents at beginning of year/period	50,178	60,237	28,287	28,287	51,857
Effect of foreign exchange rate changes, net	(2,651)	1,863	(3,359)	498	637
Cash and cash equivalents at end of year/period	<u>60,237</u>	<u>28,287</u>	<u>51,857</u>	<u>46,293</u>	<u>67,749</u>

For further details of our cash flows, please refer to the section headed “Financial information — Cash flows” in this prospectus.

SELECTED KEY FINANCIAL RATIOS

	FY2016/As at 31 December 2016	FY2017/As at 31 December 2017	FY2018/As at 31 December 2018	4M2019/As at 30 April 2019
Current ratio ⁽¹⁾	1.5 times	1.5 times	1.8 times	1.7 times
Quick ratio ⁽²⁾	1.3 times	1.3 times	1.4 times	1.2 times
Return on total assets ⁽³⁾	5.4%	10.0%	14.1%	17.1%
Return on equity ⁽⁴⁾	9.2%	18.2%	27.9%	36.4%
Gearing ratio ⁽⁵⁾	41.8%	50.8%	34.5%	46.3%
Debt to equity ratio ⁽⁶⁾	17.7%	40.4%	Net cash	Net cash
Interest coverage ⁽⁷⁾	33.6 times	201.7 times	52.9 times	21.2 times

Notes:

- Current ratio is calculated based on the current assets divided by current liabilities as at the respective year/period end.
- Quick ratio is calculated based on the current assets less inventories, divided by current liabilities as at the respective year/period end.
- Return on total assets is calculated based on the profit (after adding back the Listing expenses) for the year/period divided by total assets multiplied by 100%. Return on total assets for 4M2019 is annualised for illustrative purpose.
- Return on equity is calculated based on the profit (after adding back the Listing expenses) for the year/period divided by total equity multiplied by 100%. Return on equity for 4M2019 is annualised for illustrative purpose.
- Gearing ratio is calculated based on the total debt (being our bank borrowing and amounts due to related companies) divided by the total equity as at the respective year/period end.
- Debt to equity ratio is calculated based on the net debt (being our total debts net of cash and cash equivalents) divided by the total equity as at the respective year/period end.
- Interest coverage ratio is calculated based on the profit before finance costs and income tax (after adding back the Listing expenses) divided by the finance costs for the respective year/period.

For further details of our key operational and financial data, please refer to the section headed “Financial information — Selected key financial ratios” in this prospectus.

RISK FACTORS

Our Group's business and financial performance may be affected by a number of factors. Some of the major risks that may materially and adversely affect our business, financial condition and results of operations include: (i) our sales are subject to changes in consumer preferences and other macroeconomic factors that affect consumer spending patterns; (ii) our Group relies on a few major customers and our performance will be materially and adversely affected if our Group's relationship with any one of them deteriorates; (iii) our other income and gains relating to the gain on disposal of a piece of land was non-recurring in nature and we may not record such gain in the future; (iv) our business and financial position may be adversely affected if we are not able to continue servicing the European market effectively or if there is any adverse change in the macro-economic situation or economic downturn in Europe, e.g. the Brexit; (v) our results of operations could be adversely affected if we fail to keep pace with customer demands and preferences for product design, research and development and manufacturing of our products; and (vi) our business and financial position may be adversely affected if the recent Sino-U.S. trade war persists.

SUMMARY

In particular, our revenue arising from sales to the U.S. amounted to approximately HK\$21.6 million, HK\$33.4 million, HK\$28.8 million and HK\$10.0 million for FY2016, FY2017, FY2018 and 4M2019, respectively, representing approximately 6.0%, 9.3%, 7.7% and 6.9% of our total revenue during the corresponding period, respectively. If the recent Sino-U.S. trade war persists and as a result the global economic environment deteriorates, then the sales of our products could be affected by trade restrictions implemented by the U.S. and the PRC Government, which may in turn have an adverse impact on our business in the U.S.

For FY2016, FY2017, FY2018 and 4M2019, our revenue arising from sales to the United Kingdom amounted to approximately HK\$87.3 million, HK\$41.1 million, HK\$53.8 million and HK\$8.7 million, respectively, representing approximately 24.2%, 11.4%, 14.4% and 6.0% of our total revenue during the corresponding period, respectively. Uncertainty surrounding Brexit could also result in fluctuations or a downturn in aspects of the United Kingdom economy which may damage customers, and/or investors' confidence and/or reduce consumer spending in the United Kingdom. Any of these events could have an adverse impact on our Group's business, financial condition, results of operations and prospects.

More details of the risks we are exposed to are set out in the section headed "Risk factors" in this prospectus.

INDUSTRY AND COMPETITIVE LANDSCAPE

According to the F&S Report, there were more than 5,000 small and medium enterprises and large enterprises principally engaging in the manufacture of different types of electrothermic household appliances in 2018. We are regarded as one of the participants in the electrothermic household appliance market in the PRC.

It is estimated that our Group had a market share of approximately 2.3% in terms of export value of electric smoothing irons (include steam generator irons and steam irons), approximately 1.5% for pump driven coffee machines, and approximately 0.4% for baby food makers, soup makers and food steamers in the PRC in 2018.

LISTING EXPENSES

Our Directors expect that our total Listing expenses, which are non-recurring in nature, will amount to approximately HK\$40.5 million (assuming the Offer Price of HK\$1.40 per Offer Share; being the mid-point of the indicative Offer Price range stated in this prospectus). Out of the total HK\$40.5 million of Listing expenses, approximately HK\$11.8 million had been recognised in profit or loss accounts in 4M2019, our Directors expect to further recognise approximately HK\$8.7 million in our Group's profit and loss accounts for FY2019 and the remaining estimated Listing expenses in the amount of approximately HK\$20.0 million will be deducted from equity upon the Listing.

Accordingly, the financial results of our Group for FY2019 are expected to be significantly affected by the estimated expenses in relation to the Listing, as a result, it is expected that there will be a significant decrease in net profit for FY2019. Our Directors would like to emphasise that this predicted cost of Listing is a current estimate for reference only. As such, the actual amount may differ from these estimates and the final amount to be recognised in the consolidated statement of comprehensive income of our Group for FY2019 is subject to adjustment based on audit and the then changes in variables and assumptions.

NO MATERIAL ADVERSE CHANGE

Save for the total expenses for the Listing estimated to be approximately HK\$40.5 million, of which approximately HK\$20.5 million will be recorded in our Group's profit and loss for FY2019, our Directors confirm that, up to the date in this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 April 2019 (being the date to which the latest audited consolidated financial statements of our Group were prepared), and there is no event since 30 April 2019 which would materially affect the information shown in the Accountants' Report set out in Appendix I in this prospectus.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the net proceeds from the Share Offer which we will receive, assuming an Offer Price of HK\$1.40 per Offer Share, being the mid-point of the indicative Offer Price range, and after deducting related underwriting fees and estimated expenses in connection with the Share Offer and the Over-allotment Option is not exercised, the aggregate net proceeds to our Company from the Share Offer will be approximately HK\$99.5 million.

Our Directors presently intend to apply such net proceeds as follows:

- approximately HK\$50.4 million (or approximately 50.7% of the proceeds) will be used for upgrading our production facilities and enhancing our production capacity, in particular (i) approximately HK\$32.5 million will be earmarked for acquiring additional units of machinery for new production facilities and upgrading existing production facilities in our Huizhou Factory; (ii) approximately HK\$9.3 million will be earmarked for increasing the level of automation in our production process by acquiring more automated robots to assist us in the manufacturing of plastic casings and parts, metal casings and parts, electronic components and quality control; (iii) approximately HK\$6.7 million will be earmarked for upgrading our existing factory building facilities; and (iv) approximately HK\$1.9 million will be earmarked for acquiring additional power transformer for our production facilities in view of the increase in production scale in our Huizhou Factory;
- approximately HK\$31.6 million (or approximately 31.8% of the proceeds) will be used for strengthening our product design and development capabilities and increasing our product offerings, in particular (i) approximately HK\$29.9 million for expanding and enhancing our product range by developing new ODM models, (ii) approximately HK\$1.5 million for recruiting additional engineers and designers; and (iii) approximately HK\$0.2 million for strengthening our product design and development capabilities by purchasing and implementing additional equipment and software;
- approximately HK\$8.6 million (or approximately 8.6% of the proceeds) will be used for strengthening our customer base, in particular (i) approximately HK\$7.1 million will be earmarked for attending the exhibitions held in Europe, Hong Kong and Latin America, conducting site visits to both existing and potential overseas customers to enhance our market presence in the international market and to expand the geographic coverage of our products and our customer base; and subscribing for market data to enhance our sales activities; (ii) approximately HK\$1.2 million will be earmarked for recruiting sales executives who will be responsible for identifying the potential customers; and (iii) approximately HK\$0.3 million will be earmarked for providing product samples to existing and potential customers for marketing purpose;
- approximately HK\$5.7 million (or approximately 5.7% of the proceeds) will be used for upgrading our information technology systems, in particular (i) approximately HK\$4.4 million will be earmarked for purchasing a new version of ERP system to cover wider aspects in our daily operations and enhance electronic data interchange and data direct linkage; (ii) approximately HK\$1.3 million will be earmarked for provision of staff training on the usage and system infrastructure, as well as provision of system maintenance and system development after the system upgrade; and
- approximately HK\$3.2 million (or approximately 3.2% of the proceeds) will be used for general working capital purpose.

For details of our use of proceeds from the Share Offer, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

SUMMARY

OFFER STATISTICS

	Based on the minimum indicative Offer Price of HK\$1.30 per Share	Based on the maximum indicative Offer Price of HK\$1.50 per Share
Market capitalisation	HK\$520,000,000	HK\$600,000,000
Unaudited pro forma adjusted net tangible assets per Share	0.61	0.66

Notes:

- (1) The calculation of the market capitalisation of our Company is based on 400,000,000 Shares in issue immediately following the completion of the Share Offer but does not take into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 400,000,000 Shares, being the number of Shares expected to be in issue immediately following the completion of shares of the Share Offer without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or of any options that may be granted under the Share Option Scheme.
- (3) No adjustment has been made to the unaudited pro forma adjusted net tangible assets per Share to reflect any trading result or other transaction of our Group entered into subsequent on 30 April 2019.

DIVIDEND

No dividends were declared for FY2016 and 4M2019. During FY2017, subsidiaries of our Company declared an interim and final dividends in aggregate amounted to HK\$51,740,000 to Tunbow Electrical (BVI) Limited and Tunbow Investments (BVI), and were fully settled in FY2017. During FY2018, a subsidiary of our Company declared a final dividend amounted to HK\$32,229,000 to Tunbow Electrical (BVI) Limited. The said dividend was fully settled in FY2018.

Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payment.

Our Group currently does not have any specific dividend policy. Dividends may be paid out by way of cash or by other means that our Directors consider appropriate. The declaration of future dividends will be subject to the discretion of our Board and the approval of our Shareholders and will depend on our earnings, financial condition, cash requirement and availability and any other factors our Directors may deem relevant. As such factors and the payment of dividends are at the discretion of our Board, there can be no assurance that any particular dividend amount or any dividend at all, will be declared and paid in the future. Prospective investors should note that historical dividend payments should not be regarded as an indication of our future dividend.

RECENT DEVELOPMENT

We continued to focus on principal business of manufacturing and supplying of a board range of electrothermic household appliances, in particular garment care and cooking appliances. Based on our unaudited financial information, our Group's revenue for the eight months ended 31 August 2019 as compared to the corresponding period in prior year followed the similar upward trend as recorded in FY2018 and 4M2019. Subsequent to the Track Record Period and up to the Latest Practicable Date, our business and revenue model remained unchanged, and there was no material change in our cost structure.

Having considered that our production utilisation rate for coffee machines and steam generator irons reached a relatively high level of approximately 86.4% and 93.8% in FY2018, an additional machinery has been in use since June 2019 mainly for the manufacturing of plastic housings for steam generator irons as well as other plastic casings and parts.

Our Directors confirm that up to the date in this prospectus, other than the non-recurring Listing expenses incurred/estimated, there has been no material adverse change in our financial or trading position since 30 April 2019 (being the date to which our Company's latest consolidated audited financial results were prepared), and there has been no events since 30 April 2019 which would materially affect the information shown in the accountants' report, the text of which is set out in Appendix I to this prospectus.