You should read the following discussion and analysis in conjunction with our consolidated financial information and notes thereto set forth in the Accountants' Report included as Appendix I to this prospectus and our selected historical consolidated financial information and operating data included elsewhere in this prospectus. Our consolidated financial information has been prepared in accordance with HKFRSs issued by Hong Kong Institute of Certified Public Accountants. Our financial information and the discussion and analysis below assume that our current structure had been in existence throughout the Track Record Period. For further information in relation to our Group's structure, please refer to the section headed "History, development and Reorganisation" in this prospectus.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please refer to the sections headed "Risk factors" and "Forward-looking statements" in this prospectus for discussions of those risks and uncertainties.

Our financial year begins from 1 January and ends on 31 December. All references to "FY2016", "FY2017" and "FY2018" mean the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018, respectively, while "4M2018" and "4M2019" mean the four months ended 30 April 2018 and 30 April 2019, respectively.

OVERVIEW

We are 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. Our Directors are of view that our products are able to meet the strict quality and safety standards in the developed countries, which allow us to stand out from other competitors.

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. Substantially all of these products are rooted on thermodynamics technology which involves the measurement and physics of converting thermal energy to and from other forms of energy and the way it affects the state of matter (e.g. water and steam).

With over 10 years of operating history, our Group has developed a unique set of production know-hows to achieve the quality, functionality, appearance and price points of our products that have captured the loyalty of our customers. We offer our customers with "one-stop" production solutions which mainly comprises product design and development, raw material sourcing and procurement, manufacturing, quality assurance, packaging and delivery. Where our design and development capability would be required by our customers, our business model can be divided to ODM and OEM businesses.

For the ODM business, our products are designed and developed by our research and development department based on our customers' general concept and our own design capacity. For the OEM business, we manufacture our products based on our customers' design with their requirements and specifications.

Business Transfer

As our Group is positioned to focus on the business of sale and manufacturing of electrothermic household appliances, 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.

On 21 August 2018, Tunbow (Huizhou) and Town Ray (Huizhou) entered into a business transfer agreement, pursuant to which Tunbow (Huizhou) agreed to transfer its design, manufacture and sale of electrothermic household appliances business including, amongst others, its customers, suppliers and information relating to its customers and suppliers, to Town Ray (Huizhou). The 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 "Basis of presentation" in this section.

FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS

Our results of operations and financial performance are subject to the influence of numerous factors, including those set out below and in the section headed "Risk factors" in this prospectus:

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

For FY2016, FY2017, FY2018 and 4M2019, sales to our Group's five largest customers accounted for approximately 70.9%, 67.5%, 59.0% and 71.1%, respectively, of our total revenue, and sales to our Group's largest customer accounted for approximately 23.5%, 20.7%, 15.5% and 33.7%, respectively, of our total revenue during the same periods. Although we have entered into cooperation or long-term agreements with some of our major customers, we could not guarantee that our customers will place us purchase orders on a sufficient amount.

If our Group's major customers cease to purchase or reduce substantially their order size in the future, whether due to their decision to change supplier or any other reason, our Group may not be able to seek alternative customers within a short period of time, the business and financial performance of our Group will be materially adversely affected.

Furthermore, there is no assurance that these customers will not purchase from other suppliers whom offer lower prices than us or are believed to offer equal or superior products or services. Therefore, there is no certainty that we will continue to generate revenue from these customers.

We may be exposed to delays and/or defaults of payments by our customers which would adversely affect our cash flows or financial results

Our Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer, rather than the industry or country in which the customers operate, and therefore significant concentrations of credit risk primarily arise when our Group has significant exposure to individual customers.

During the Track Record Period, our Group's credit term granted to our customers is 30 to 90 days in general. As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, the trade receivables of our Group amounted to approximately HK$61.5 million, HK$69.0 million, HK$79.8 million and HK$64.9 million, respectively, while the trade receivables turnover days were approximately 62.2 days, 70.2 days, 78.0 days and 53.9 days, respectively. Up to 31 August 2019, approximately 98.0% of trade receivables as at 30 April 2019 had been settled. Approximately 70.3%, 80.6%, 76.7% and 71.0% of the total trade receivables as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019 were attributable to our Group's five largest customers of the respective years/period. The financial position, profitability and cash flow of our Group depend on whether customers will be able to settle the outstanding balances owed to our Group in a timely manner. If there is any delay or default in payments made by the customers, the financial position, profitability and cash flow of our Group may be materially and adversely affected.

We are subject to risk of fluctuations in the exchange rate

During the Track Record Period, approximately 98.3%, 92.9%, 92.9% and 93.2% of our Group's revenue was denominated in USD, while approximately 95.7%, 87.5%, 90.3% and 82.2% of our costs were denominated in RMB. Our profit margins will be adversely affected to the extent that we are unable to increase the USD denominated selling prices of our products sold to overseas customers or shift the exchange risk to our customers to account for the appreciation of the RMB against the USD. Any significant fluctuation in the exchange rates between the RMB and USD may result in increases or decreases in our reported costs and earnings, and may also materially affect our business and results of operations.

Our foreign exchange gains in FY2016 and FY2018 were approximately HK$3.3 million and HK$4.3 million, respectively; while our foreign exchange losses in FY2017 and 4M2019 were approximately HK$3.7 million and HK$1.9 million, respectively.

The following table demonstrates the sensitivity at the end of each of the financial year/period to a reasonable possible change in the RMB and USD exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities). The hypothetical fluctuation rates are set at 5%, 10% and 15%, respectively.

	HKD weakens/strengthens against					
	RMB	*USD*	*RMB*	*USD*	*RMB*	*USD*
Hypotheticals fluctuations	**+/-5%**		**+/-10%**		**+/-15%**	
Increase/decrease in profit before tax						
FY2016 *(HK$'000)*	+/-187	+/-5,085	+/-374	+/-10,171	+/-561	+/-15,256
FY2017 *(HK$'000)*	+/-447	+/-3,134	+/-893	+/-6,267	+/-1,340	+/-9,401
FY2018 *(HK$'000)*	-/+434	+/-2,379	-/+869	+/-4,759	-/+1,303	+/-7,138
4M2019 *(HK$'000)*	+/-473	+/-3,363	+/-945	+/-6,726	+/-1,418	+/-10,089

Our Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely to keep the net exposure to an acceptable level.

We are subject to risks of fluctuations in the prices of labour costs and materials

Our direct labour costs primarily consist of wages and salaries, other allowances and welfares. For each of FY2016, FY2017, FY2018 and 4M2019, our direct labour costs amounted to approximately HK$50.3 million, HK$48.3 million, HK$50.6 million and HK$18.9 million, respectively. In the event that there is any significant increase in the staff costs, our operating expenses and pressure on our operating cash flows will increase, thereby materially and adversely affecting our business, results of operations, financial position and prospects.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the direct labour costs on our profits during the Track Record Period. The hypothetical fluctuation rate is set at 4.8%, which corresponds to the largest historical change in direct labour cost for our production during FY2016, FY2017 and FY2018 and our Directors consider it reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations	**+4.8%**	**-4.8%**
Increase/decrease in net profit before tax		
	HK$'000	*HK$'000*
FY2016	(2,415)	2,415
FY2017	(2,319)	2,319
FY2018	(2,431)	2,431
4M2018	(777)	777
4M2019	(906)	906

During the Track Record Period, the primary raw materials used in our production process 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 direct material costs represented 63.2%, 64.1%, 65.5% and 68.1% of our cost of sales, respectively. If prices of our material supply substantially increase, we may incur additional costs to acquire sufficient quantity of these materials to meet our production needs. In addition, if we cannot identify alternative sources of quality materials when needed, at acceptable prices or with the required quantity and quality, or at all, the resulting loss of production volume may materially and adversely affect our ability to deliver products to our customers in a timely manner, or at all, and therefore our business, financial condition, results of operations and prospects could be materially and adversely affected. The impact of any volatility in the prices of materials we rely on or the reduction in the demand for certain products caused by such price volatility of materials could result in a loss of revenue and profitability and could adversely affect our results of operations.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the material costs on our profits during the Track Record Period. The hypothetical fluctuation rate is set at 8.3%, which corresponds to the largest historical change in direct material costs for our production during FY2016, FY2017 and FY2018, our Directors considered it reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations	**+8.3%**	**-8.3%**
Increase/decrease in net profit before tax		
	HK$'000	*HK$'000*
FY2016	(13,325)	13,325
FY2017	(13,464)	13,464
FY2018	(14,581)	14,581
4M2018	(4,251)	4,251
4M2019	(5,622)	5,622

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 28 September 2017 as an exempted company with limited liability under the Companies Law.

In preparation for the Listing of our Company's shares on the Stock Exchange, a business transfer agreement was entered into between Tunbow (Huizhou) and Town Ray (Huizhou), pursuant to which the business of manufacture and sale of electrothermic household products formerly operated by Tunbow (Huizhou) (the "**PRC Manufacture and Sale Business**") was transferred to Town Ray (Huizhou) and the Business Transfer was completed on 31 December 2018.

Our companies now comprising our Group and the PRC Manufacture and Sale Business were under the common control of Tunbow Investments (BVI) before and after the Reorganisation. Accordingly, the financial information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation and the Business Transfer had been completed at the beginning of the Track Record Period.

The results and cash flows of the PRC Manufacture and Sale Business are included in the consolidated financial statements of our Group since the date when the PRC Manufacture and Sale Business first came under the common control of Tunbow Investments (BVI). The assets and liabilities of the PRC Manufacture and Sale Business are included in the consolidated statements of financial position of our Group using the existing book values from Tunbow Investments (BVI)'s perspective. The assets and liabilities which were not transferred, assigned or novated to Town Ray (Huizhou) as at 31 December 2018 were accounted for as a deemed distribution to Tunbow Investments (BVI).

The assets and liabilities of Tunbow (Huizhou) set out below were not transferred, assigned or novated to Town Ray (Huizhou) as at 31 December 2018 and were treated as a deemed distribution to Tunbow Investments (BVI) in connection with the Reorganisation:

	31 December 2018
	HK$'000
Net assets distributed:	
Property, plant and equipment	104,505
Right-of-use assets	14,985
Deferred tax assets	987
Prepayments, deposits and other receivables	829
Due from related companies	81,080
Tax recoverable	1,455
Pledged deposit	37,891
Cash and cash equivalents	61,764
Trade payables	(2,091)
Other payables and accruals	(8,406)
Due to related companies	(98,401)
Deferred tax liabilities	(656)
	193,942

Upon completion of the Reorganisation before the Listing, our Company became the holding company of the companies now comprising our Group. For further details of our Reorganisation, please refer to the section headed "History, development and Reorganisation" in this prospectus.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of Tunbow Investments (BVI), where this is a shorter period, i.e. the income and expenses and cash flow of the business relevant to the PRC Manufacture and Sale Business were included in, and there were no income and expenses and cash flow of Tunbow (Huizhou) which had been excluded from, the financial information of our Group throughout the Track Record Period. The consolidated statements of financial position of our Group as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019 have been prepared to present the assets and liabilities of our subsidiaries and/or businesses using the existing book values from Tunbow Investments (BVI)'s perspective.

Our consolidated financial statements were prepared in accordance with the HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of our consolidated financial statements throughout the Track Record Period.

Our consolidated financial statements were prepared under the historical cost convention, except for structured deposits which have been measured at fair value.

For more information on the basis of presentation of the financial information included in this section, please refer to notes 2.1 and 2.2 of the Accountants' Report as set out in Appendix I to this prospectus.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The discussion and analysis of our financial position and results of operations are based on the consolidated financial statements prepared using the significant accounting policies, estimates and judgements set forth in notes 2.4 and 3 of the Accountants' Report as set out in Appendix I to this prospectus, which conform with HKFRS.

Below is a summary of certain significant accounting policies that we believe are important to the presentation of our financial results and positions. We also have other accounting policies, estimates and judgements that we consider important, details of which are set forth in notes 2.4 and 3 of the Accountants' Report as set out in Appendix I to this prospectus.

Revenue recognition

Our revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services.

Sales of electrothermic household appliances

Our revenue from the sale of electrothermic household appliances is recognised at the point in time when control of the asset is transferred to our customer, generally on delivery of the electrothermic household appliances.

We had adopted HKFRS 15 on a consistent basis throughout the whole Track Record Period. Based on the assessment by our Directors, the adoption of HKFRS 15 did not have any material impact on our financial position and performance when compared to that of HKAS 18.

Property, plant and equipment

Our property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.5%
Leasehold improvements	Over the shorter of the lease terms and 4.5%
Plant and machinery	9%
Furniture, fixtures and equipment	18% to 20%
Moulds	18% to 20%

Impairment of financial assets

Our Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that our Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each financial period end date, our Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, our Group compares the risk of a default occurring on the financial instrument as at the financial period end date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

We had adopted HKFRS 9 on a consistent basis throughout the whole Track Record Period. Based on the assessment by our Directors, the adoption of HKFRS 9 did not have any material impact on our financial position and performance when compared to that of HKAS 39.

Inventories

Our inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Right-of-use assets

Our Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Lease liabilities

At the commencement date of the lease, our Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Early adoption of HKFRS 16

HKFRS 16 replaced HKAS 17 "Leases" and related interpretations. Under HKAS 17, operating lease commitments are disclosed separately in notes to the consolidated financial statement and are recognised outside of the consolidated statement of financial position. Under HKFRS 16, all leases (except for those with lease term of less than 12 months or of low value) must be recognised in the form of an asset (being the right-of-use assets in our financial statements) and a financial liability (being the lease liabilities in our financial statements), and, accordingly, each lease will be mapped in our consolidated statements of financial position.

Following our early adoption of HKFRS 16, leases are recognised in the form of an asset (being the right-of-use assets) together with financial liabilities (being lease liabilities) and in respect of which depreciation of right-of-use assets and finance costs are charged instead of rental expenses. Accordingly, certain financial ratios are also affected. The table set forth below summarised the impacts of the adoption of HKFRS 16 on certain key items of our consolidated financial statements:

	Net profit (loss)			
	FY2016	**FY2017**	**FY2018**	**4M2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As if reported under HKAS 17	22,971	49,460	38,077	5,496
Currently reported under HKFRS 16	22,967	49,464	38,039	5,248
Difference	(4)	4	(38)	(248)

	Total assets				Total liabilities			
	As at 31 December			As at 30 April	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**	**2016**	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As if reported under HKAS 17	425,230	495,967	239,688	272,524	175,159	224,103	103,178	129,708
Currently reported under HKFRS 16	425,763	495,967	269,899	302,913	175,696	224,103	133,427	160,383
Difference	533	—	30,211	30,389	537	—	30,249	30,675

In particular, the above-mentioned differences are principally due to the differences in our rights-of-use assets, lease liabilities, depreciation and rental and related expenses for workshop, godown and ancillary office during the Track Record Period as a result of the early adoption of HKFRS 16, and the impact of which are further summarised below:

	Rights-of-use assets			
	As at 31 December			As at 30 April
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As if reported under HKAS 17	—	—	—	—
Currently reported under HKFRS 16				
Prepaid land lease payments	15,459	16,125	—	—
Leased properties	533	—	30,211	30,389
Difference	15,992	16,125	30,211	30,389

	Lease liabilities			
	As at 31 December			As at 30 April
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As if reported under HKAS 17	—	—	—	—
Currently reported under HKFRS 16	537	—	30,249	30,675
Difference	537	—	30,249	30,675

	Depreciation				Rental and related expenses for workshop, godown and ancillary office			
	FY2016	FY2017	FY2018	4M2019	FY2016	FY2017	FY2018	4M2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As if reported under HKAS 17	21,213	17,114	16,486	2,814	540	540	1,005	4,123
Currently reported under HKFRS 16	21,746	17,647	17,435	6,639	—	—	—	—
Difference	533	533	949	3,825	(540)	(540)	(1,005)	(4,123)

Certain financial ratios would also be affected following the early adoption of HKFRS 16. In particular, (i) our current ratio and quick ratio were slightly reduced in FY2018 and 4M2019 as a result of the recognition of the current portion of the lease liabilities; (ii) our return on total assets were slightly reduced in FY2018 and 4M2019 as a results of the recognition of right-of-use assets; (iii) our interest coverage ratios were reduced during the Track Record Period as a result of the increase in interest expenses on lease liabilities; (iv) our gearing ratio was slightly increased for 4M2019 as a result of the reduction in total equity; and (v) our return on equity was reduced slightly for 4M2019 as a result of the decrease in profit following the adoption of HKFRS 16.

Taking into account and apart from the abovementioned impact, our Directors consider that the adoption of HKFRS 16 has no significant impact on our financial position and performance when compared to that of HKAS 17.

The tables below set out our Group's (i) consolidated statements of profit or loss; and (ii) consolidated statements of comprehensive income during the Track Record Period, which was derived from the Accountants' Report as set out in Appendix I in this prospectus:

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

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.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	FY2016	FY2017	FY2018	4M2018	4M2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit for the year/period	22,967	49,464	38,039	2,891	5,248
Other comprehensive income/(loss)					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	(12,955)	14,023	(10,260)	7,778	810
Total comprehensive income for the year/period	10,012	63,487	27,779	10,669	6,058

Exchange differences on translation of foreign operations

Our financial information is presented in Hong Kong dollars. Each entity in our Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in our Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currency of our operating PRC subsidiaries is RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into HKD at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into HKD at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

For details, please refer to notes 2.4 of the Accountants' Report as set out in Appendix I to this prospectus.

DESCRIPTION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF PROFITS OR LOSS

Revenue

During the Track Record Period, our revenue was mainly generated from manufacturing and selling of electrothermic household appliances. Our total revenue amounted to approximately HK$361.1 million, HK$358.8 million, HK$373.5 million and HK$144.6 million for FY2016, FY2017, FY2018 and 4M2019, respectively.

By product category

Our 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, food steamers, soup makers, baby food makers and milk bottle warmers. The below table sets forth the breakdown of our revenue attributable to products under different categories:

	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*
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

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.

During the Track Record Period, our business has experienced a stable growth. For FY2016, FY2017, FY2018 and 4M2019, our revenue was approximately HK$361.1 million, HK$358.8 million, HK$373.5 million and HK$144.6 million, respectively. 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 of 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. The 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 automatic coffee machine (third generation) which was well recognised by our customers.

By business segments

Where the design plan of a product would be provided by our customers, our business can be divided to two business models, namely ODM and OEM. For the ODM business, our products are designed and developed by our research and development department based on our customers' general concept and our own design capacity. For the OEM business, we in general manufacture our products based on our customers' design with their requirements and specifications. In some cases if the customers do not provide us with detailed specifications, requirements, and/or design concepts of the products necessary for formulating the production plans, our research and development department will work closely with the customers to adjust, modify or alternate the relevant specifications, requirements, and/or design concepts. 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, our revenue from 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.

By geographical locations

The following table sets forth our revenue from different geographic locations for the period indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Europe*(Note 1)*	271,143	75.1	261,361	72.9	308,373	82.6	79,276	74.4	126,132	87.3
Asia*(Note 2)*	51,201	14.2	53,541	14.9	32,148	8.6	15,226	14.3	7,845	5.4
United States	21,583	6.0	33,444	9.3	28,802	7.7	8,800	8.2	9,971	6.9
Others*(Note 3)*	17,144	4.7	10,455	2.9	4,139	1.1	3,261	3.1	614	0.4
Total	361,071	100.0	358,801	100.0	373,462	100.0	106,563	100.0	144,562	100.0

Notes:

1. It mainly includes Germany, France, the United Kingdom, the Netherlands, Turkey, Italy, Czech Republic and Switzerland.

2. It mainly includes Hong Kong, India, South Korea, the PRC, Taiwan, Thailand, Singapore, Israel and United Arab Emirates.

3. It mainly includes Argentina and Australia.

Please refer to the paragraph headed "Period to period comparison of results of operations" in this section for a discussion of changes in our revenue during the Track Record Period.

Cost of sales

Our cost of sales primarily consists of direct material, direct labour costs, depreciation, overhead and utilities. During the Track Record Period, the breakdown of our cost of sales were as follows:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Direct material	160,541	63.2	162,217	64.1	175,671	65.5	51,221	63.4	67,738	68.1
Direct labour costs	50,318	19.8	48,322	19.1	50,641	18.9	16,184	20.0	18,872	19.0
Depreciation	18,568	7.3	14,659	5.8	14,474	5.4	5,903	7.3	5,919	5.9
Overhead	15,452	6.1	19,292	7.6	19,120	7.1	4,909	6.1	4,478	4.5
Utilities	9,037	3.6	8,720	3.4	8,211	3.1	2,617	3.2	2,442	2.5
	253,916	100.0	253,210	100.0	268,117	100.0	80,834	100.0	99,449	100.0

Direct material

The largest component of our cost of sales was direct material, which amounted to approximately HK$160.5 million, HK$162.2 million, HK$175.7 million and HK$67.7 million, representing 63.2%, 64.1%. 65.5% and 68.1% of our cost of sales for FY2016, FY2017, FY2018 and 4M2019, respectively. Our direct material costs mainly represent the cost of our principal raw materials used in the production of our products, which are mainly electrical parts, plastic raw materials and parts, metal raw materials and parts, power cords and lead wires, and electronic parts.

Direct labour costs

Direct labour costs mainly comprise salaries, wages, bonus and allowance provided for our workers who are directly involved in the production.

Depreciation

Depreciation represents depreciation charges in respect of our property, plant and equipment which are directly being used in the production and right-of-use assets.

Utilities

Utilities represent the electricity and water charges for our Group's production during the Track Record Period.

Overhead

Overhead represents the transportation fees of raw materials, repair and maintenance, and customs declaration.

Please refer to the paragraph headed ''Period to period comparison of results of operations'' in this section for a discussion of the material changes in the amount of our costs of sales during the Track Record Period.

Gross profit and gross profit margin

The table below set forth a breakdown of our Group's 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 electronic products, cleaning products and air purifiers.

For FY2016, FY2017, FY2018 and 4M2019, our gross profit was approximately HK$107.2 million, HK$105.6 million, HK$105.3 million and HK$45.1 million, respectively. Gross profit from the sale of garment care appliances accounted for approximately HK$70.4 million, HK$59.3 million, HK$46.3 million and HK$14.0 million for FY2016, FY2017, FY2018 and 4M2019, respectively. Gross profit from the sale of cooking appliances accounted for approximately HK$35.9 million, HK$46.1 million, HK$59.0 million and HK$31.1 million for FY2016, FY2017, FY2018 and 4M2019, respectively.

The table below set forth a breakdown of our Group's gross profit and gross profit margin during the Track Record Period by business segment:

	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 %*
ODM business	49,296	29.6	46,191	30.6	61,909	28.9	11,833	24.5	29,718	31.3
OEM business	57,859	29.7	59,400	28.6	43,436	27.2	13,896	23.9	15,395	30.9
Total	107,155	29.7	105,591	29.4	105,345	28.2	25,729	24.1	45,113	31.2

For FY2016, FY2017, FY2018 and 4M2019, our gross profit from ODM business was approximately HK$49.3 million, HK$46.2 million, HK$61.9 million and HK$29.7 million, respectively. Gross profit from our OEM business accounted for approximately HK$57.9 million, HK$59.4 million, HK$43.4 million and HK$15.4 million for FY2016, FY2017, FY2018 and 4M2019, respectively. The gross profit margin of OEM business has been, in general, at similar level as the gross profit margin of ODM business during the Track Record Period because our Group had high involvement in product development for the OEM products.

Please refer to the paragraph headed ''Period to period comparison of results of operations'' in this section for a discussion of the material changes in our Group's gross profit and gross profit margin during the Track Record Period.

Other income and gains

The table below sets forth a breakdown of our Group's other income and gains by nature during the Track Record Period:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Bank interest income	44	0.9	69	0.2	1,066	13.0	339	33.6	77	4.4
Foreign exchange difference, net	3,298	67.5	—	—	4,332	52.8	—	—	—	—
Fair value gains on structured deposits	70	1.4	1,038	3.2	333	4.1	141	14.0	8	0.4
Gain on disposal of assets held for sale	—	—	30,029	92.1	—	—	—	—	—	—
Consultancy income	575	11.8	890	2.7	1,243	15.1	259	25.7	295	16.6
Others	901	18.4	579	1.8	1,228	15.0	270	26.7	1,398	78.6
	4,888	100.0	32,605	100.0	8,202	100.0	1,009	100.0	1,778	100.0

Our Group's other income and gains mainly comprise bank interest income, exchange gain, fair value gains from structured deposit, gain on disposal of assets held for sale and consultancy income for obtaining the certificates for our customers' products upon their request.

Please refer to the paragraph headed "Period to period comparison of results of operations — FY2017 compared to FY2016" in this section for a discussion of the material changes in our Group's other income and gains during the Track Record Period.

Selling and distribution expenses

The table below sets forth a breakdown of our Group's selling and distribution expenses by nature during the Track Record Period:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Advertising and promotion expenses	2,635	26.0	785	10.2	1,482	17.0	468	17.5	176	7.2
Commission	495	4.9	6	0.1	—	—	—	—	—	—
Transportation and custom costs	3,164	31.3	2,916	37.8	3,042	35.0	915	34.3	1,013	41.8
Staff costs	3,814	37.7	3,996	51.8	4,160	47.9	1,281	48.1	1,235	50.9
Others	13	0.1	8	0.1	7	0.1	1	0.1	2	0.1
	10,121	100.0	7,711	100.0	8,691	100.0	2,665	100.0	2,426	100.0

Our Group's selling and distribution expenses mainly comprise advertising and promotion expenses, commission for referral of new products, transportation and custom costs for delivery of our products to our customers, and staff costs of our sales and marketing department.

Please refer to the paragraph headed "Period to period comparison of results of operations" in this section for a discussion of the material changes in our Group's selling and distribution expenses during the Track Record Period.

General and administrative expenses

General and administrative expenses mainly include audit fee, staff costs and benefits, directors' remuneration and benefits, depreciation, office expenses, donations, entertainment expenses and staff welfare, legal and professional fees, property tax, land use tax and other taxes, share-based payment, transportation cost, and other administrative expenses. The following table sets out a breakdown of our general and administrative expenses for the years indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Audit fee	540	0.9	732	1.1	773	1.4	205	1.2	400	1.3
Staff costs and benefits	28,518	48.8	29,747	45.2	30,241	52.8	9,698	53.8	10,412	34.6
Directors' remuneration	4,579	7.9	5,406	8.2	5,598	9.8	1,665	9.2	1,807	6.0
Depreciation (excluding depreciation for plant and machinery)	3,178	5.4	2,988	4.5	2,961	5.2	1,070	5.9	720	2.4
Office expenses	5,773	9.9	3,481	5.3	3,811	6.7	1,052	5.8	1,166	3.9
Donations	2,827	4.8	293	0.5	63	0.1	2	0.1	—	—
Entertainment expenses and staff welfare	5,491	9.4	5,876	8.9	6,328	11.1	2,045	11.3	2,200	7.3
Legal and professional fees	881	1.5	977	1.5	1,230	2.1	166	0.9	199	0.7
Property tax, land use tax and other taxes	2,573	4.4	2,102	3.2	1,932	3.4	631	3.5	75	0.2
Share-based payment	—	—	10,050	15.3	—	—	—	—	—	—
Transportation cost	2,979	5.1	2,926	4.5	2,646	4.6	952	5.3	735	2.5
Listing expenses	—	—	—	—	—	—	—	—	11,826	39.3
Others	1,085	1.9	1,168	1.8	1,593	2.8	540	3.0	542	1.8
	58,424	100.0	65,746	100.0	57,176	100.0	18,026	100.0	30,082	100.0

Staff costs and benefits

Staff costs in administrative expenses include management, administrative and operational staff costs.

Directors' remuneration

Directors' remuneration and benefits include directors' salaries, allowance, bonus, mandatory provident fund contribution. For FY2016, FY2017, FY2018 and 4M2019, directors' remuneration and benefits (excluding share-based payment expense), which amounted to approximately HK$4.6 million, HK$5.4 million, HK$5.6 million and HK$1.8 million respectively, were recorded in administrative expenses under staff costs.

Depreciation

Deprecation in administrative expenses mainly represents depreciation of our leasehold improvement and right-of-use assets, office equipment and furnitures and fixtures.

Office expenses

Office expenses mainly include catering expenses, rental and rates and utilities.

Please refer to the paragraph headed "Period to period comparison of results of operations" in this section for a discussion of the material changes in our Group's administrative expenses during the Track Record Period.

Other expenses

Other expenses mainly include loss on disposal of property, plant and equipment, impairment losses recognised, exchange loss and others. The following table sets out a breakdown of our other expenses for the years indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss on disposal of property, plant and equipment	8,632	102.8	355	6.6	87	10.1	—	—	—	—
Impairment losses recognised	(238)	(2.8)	51	0.9	615	71.1	389	14.8	1,103	36.9
Exchange loss	—	—	3,682	67.8	—	—	2,238	85.2	1,884	63.1
Others	—	—	1,342	24.7	163	18.8	—	—	—	—
	8,394	100.0	5,430	100.0	865	100.0	2,627	100.0	2,987	100.0

Income tax expenses

Our Group is subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits arising in Hong Kong and the PRC Enterprise Income Tax ("**PRC EIT**") at a rate of 25% and dividend withholding tax at a rate of 5% for the Track Record Period.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

4M2019 compared to 4M2018

Revenue

Our revenue increased from approximately HK$106.6 million for 4M2018 to approximately HK$144.6 million for 4M2019, representing a growth of approximately HK$38.0 million or 35.7%. Such increase was mainly attributable to an almost tenfold increase in the sales of coffee machine following the trend in FY2018. The increase in the sales of coffee machine for FY2018 was concentrated in the second half of FY2018.

Cost of sales

The cost of sales increased from approximately HK$80.8 million for 4M2018 to approximately HK$99.4 million for 4M2019, representing an increase of 23.0% or approximately HK$18.6 million. Such increase was mainly due to the increase in sales volume of coffee machine.

Gross profit and gross profit margin

As a result of the increase in revenue, our gross profit increased from approximately HK$25.7 million for 4M2018 to approximately HK$45.1 million for 4M2019. Our gross profit margin increased from 24.1% for 4M2018 to 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 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%; and (ii) the depreciation of RMB against USD during the corresponding period. 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.

Other income and gains

Our other income and gains increased from approximately HK$1.0 million for 4M2018 to approximately HK$1.8 million for 4M2019 because one of our customers reimbursed the cost of the unused raw materials of approximately HK$1.2 million, which were procured based on customer's instruction.

Selling and distribution expenses

Our selling and distribution expenses remained relatively stable at approximately HK$2.7 million for 4M2018 and approximately HK$2.4 million for 4M2019, respectively.

General and administrative expenses

Our general and administrative expenses increased from approximately HK$18.0 million for 4M2018 to approximately HK$30.1 million for 4M2019. Such increase was mainly due to the Listing expenses of approximately HK$11.8 million in connection with the professional fees incurred for the Listing in FY2019.

Other expenses

Our other expenses remained relatively stable at approximately HK$2.6 million for 4M2018 and approximately HK$3.0 million for 4M2019, respectively.

Income tax expenses

Income tax expense of approximately HK$0.2 million and HK$5.1 million was recognised for 4M2018 and 4M2019, respectively. Our effective tax rate was approximately 7.5% and 49.1% for 4M2018 and 4M2019, respectively. Our effective tax rate in 4M2018 was lower because we recognised accounting tax credit for our PRC subsidiary as we recorded a loss during the corresponding period. While we generated profit in our subsidiary in Hong Kong, such tax credit has resulted in a lower income tax expenses for 4M2018.

With adding back the Listing expenses of approximately HK$11.8 million, the adjusted effective tax rate was approximately 22.8% for 4M2019. Our Group is subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits arising in Hong Kong and the PRC EIT at a rate of 25% and dividend withholding tax at a rate of 5% for the Track Record Period.

Profit after tax and net profit margin

As a result of the foregoing, our profit for 4M2018 and 4M2019 was approximately HK$2.9 million and HK$5.2 million respectively. Our net profit margin for 4M2018 and 4M2019 was approximately 2.7% and 3.6% respectively.

FY2018 compared to FY2017

Revenue

Our revenue increased from approximately HK$358.8 million for FY2017 to approximately HK$373.5 million for FY2018, representing a growth of approximately HK$14.7 million or 4.1%. Such increase was mainly attributable to the significant increase in the sales of coffee machines mainly because a model of our automatic coffee machines was well recognised by our customers during FY2018. Although such increase was partly offset by the decrease in both the quantity of steam cooking appliances and garment care appliances sold, the overall revenue for FY2018 increased.

Cost of sales

The cost of sales increased from approximately HK$253.2 million for FY2017 to approximately HK$268.1 million for FY2018, representing an increase of 5.9% or approximately HK$14.9 million. Such slight increase was mainly due to increase in the price of plastics, which was one of our major raw material components.

Gross profit and gross profit margin

Our gross profit remained relatively stable at approximately HK$105.6 million for FY2017 and approximately HK$105.3 million for FY2018, while 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.

Other income and gains

Our other income and gains decreased from approximately HK$32.6 million for FY2017 to approximately HK$8.2 million for FY2018 as a result of the gain on the disposal of a piece of land to the local government in Huizhou, the PRC, in FY2017. The decrease in other income and gains in FY2018 was partially offsets by the exchange gains in FY2018 as a result of depreciation in RMB.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately HK$1.0 million, or 12.7%, from HK$7.7 million for FY2017 to approximately HK$8.7 million for FY2018. The increase in selling and distribution expenses during the year was mainly attributable to increase in marketing activities for promoting our coffee machines.

General and administrative expenses

Our general and administrative expenses decreased from approximately HK$65.7 million for FY2017 to approximately HK$57.2 million for FY2018. Such decrease was mainly because we allotted and issued shares of our Company to some of our Directors and senior management members that was accounted as share-based payment of approximately HK$10.1 million in FY2017.

Other expenses

Our other expenses decreased from approximately HK$5.4 million for FY2017 to approximately HK$0.9 million for FY2018. Other expenses for FY2017 was higher because our Group had (i) the exchange loss in FY2017 as a result of appreciation in RMB; and (ii) the expenses related to the disposal of a piece of land to the local government in Huizhou PRC.

Income tax expenses

Income tax expense of approximately HK$9.6 million and HK$7.9 million was recognised for FY2017 and FY2018, respectively. Our effective tax rate was relatively stable at approximately 16.2% and 17.2% for FY2017 and FY2018, respectively. Our Group is subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits arising in Hong Kong and the PRC EIT at a rate of 25% and dividend withholding tax at a rate of 5% for the Track Record Period.

Profit after tax and net profit margin

As a result of the foregoing, our profit for FY2017 and FY2018 was approximately HK$49.5 million and HK$38.0 million respectively. Our net profit margin for FY2017 and FY2018 was approximately 13.8% and 10.2% respectively.

FY2017 compared to FY2016

Revenue

Our revenue remained relatively stable at approximately HK$361.1 million for FY2016 and approximately HK$358.8 million for FY2017, respectively.

Cost of sales

The cost of sales remained relatively stable at approximately HK$253.9 million for FY2016 and approximately HK$253.2 million for FY2017, respectively.

Gross profit and gross profit margin

Our gross profit remained relatively stable at approximately HK$107.2 million for FY2016 and approximately HK$105.6 million for FY2017.

Our gross profit margin remained relatively stable at approximately 29.7% for FY2016 and approximately 29.4% for FY2017, respectively.

Other income and gains

Our other income and gains increased from approximately HK$4.9 million for FY2016 to approximately HK$32.6 million for FY2017. Such increase was mainly driven by the gain of approximately HK$30.0 million on disposal of a piece of land, which was under construction prior to the disposal, to the local government in Huizhou, the PRC, in FY2017.

In view of the local city development, the local government in Huizhou, the PRC, approached us and gave us the option of either continue to develop or to dispose this piece of land to the government. Having considered the substantial amount of resources involved in developing this piece of land, we decided to dispose this piece of land to the local government in Huizhou, the PRC, and retained our financial resources in developing our business of sale and manufacture of electrothermic household appliances.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately HK$2.4 million, or 23.8%, from HK$10.1 million for FY2016 to approximately HK$7.7 million for FY2017. Our selling and distribution expenses in FY2016 was higher than that in FY2017 mainly because we launched a marketing campaign in France in FY2016.

General and administrative expenses

Our general and administrative expenses increased from approximately HK$58.4 million for FY2016 to approximately HK$65.7 million for FY2017. Such increase was mainly due to the share-based payment to our Directors and senior management members in FY2017.

Other expenses

Our other expenses decreased from approximately HK$8.4 million for FY2016 to approximately HK$5.4 million for FY2017. The decrease was mainly due to the loss on disposal of moulds in FY2016 that were no longer used in production.

Income tax expenses

Income tax expense of approximately HK$11.1 million and HK$9.6 million was recognised for FY2016 and FY2017, respectively. Our effective tax rate was approximately 32.6% and 16.2% for FY2016 and FY2017, respectively. Our Group is subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits arising in Hong Kong and the PRC EIT at a rate of 25% and dividend withholding tax at a rate of 5% for the Track Record Period. Our effective tax rate of 32.6% for FY2016 was higher than the Hong Kong profits tax rate and the PRC EIT rate because our Group's profit was substantially generated in its subsidiary in the PRC, which we paid the PRC EIT at a rate of 25%, and we did not generate any assessable profits arising in the subsidiary in Hong Kong for FY2016, which we had further accumulated tax loss.

In FY2016, our profit was retained in the PRC, which was subject to a higher tax rate, as we entered into contract with our customers under Tunbow (Huizhou). Meanwhile, our subsidiary in Hong Kong incurred a loss from business operation accumulated from the years prior to Track Record Period mainly from the year ended 31 December 2012. Accordingly we did not generate any assessable profits arising in our subsidiary in Hong Kong. Taken as a whole, we had a higher effective tax rate for FY2016.

In subsequent year, we generated less profit in the PRC and recorded a profit from business operation for our subsidiary in Hong Kong. The overall profit attributable to the business operation in the PRC and Hong Kong resulted in a lower effective tax rate in FY2017 as compared to that in FY2016.

Given the tax arrangement as mentioned above, our Directors have engaged an independent tax consultant to review the reasonableness of the transfer pricing model and profit allocation among our subsidiaries in Hong Kong and the PRC; based on the advices of the independent tax consultant, our Directors are of the view that Tunbow (Huizhou) and Town Ray (Huizhou) were not disadvantaged by the related party transactions with Tunbow Group, and complied with the relevant transfer pricing laws and regulations, and potential tax exposure of our Group is remote.

To ensure ongoing compliance with the relevant transfer pricing laws and regulations together with the relevant transfer pricing guidelines, our Group has established the transfer pricing policies, whereby our financial director is responsible for reviewing the reasonableness of the profit range among the subsidiaries within our Group on a monthly basis. Furthermore, we will continue to engage an independent accounting firm to perform annual review on the transfer pricing model among our subsidiaries in Hong Kong and the PRC, and assist our preparation of transfer pricing documentation for the required entities in our Group. We believe such measures would help us to ensure our ongoing compliance with the relevant transfer pricing laws and regulations together with the relevant transfer pricing guidelines, and remain tax efficient.

Profit after tax and net profit margin

As a result of the foregoing, our profit for FY2016 and FY2017 was approximately HK$23.0 million and HK$49.5 million respectively. Our net profit margin for FY2016 and FY2017 was approximately 6.4% and 13.8% respectively.

NET CURRENT ASSETS

We recorded net current assets of approximately HK$83.9 million, HK$103.5 million, HK$88.8 million, HK$96.3 million and HK$129.8 million as at 31 December 2016, 31 December 2017, 31 December 2018, 30 April 2019 and 31 August 2019, respectively. The table below sets forth our current assets and current liabilities as of the dates indicated:

	As at 31 December			As at 30 April	As at 31 August
	2016	2017	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)
Current assets					
Inventories	31,028	46,177	43,113	64,554	70,047
Trade receivables	61,486	68,973	79,810	64,880	70,542
Prepayments, deposits and other receivables	6,563	11,612	14,872	40,034	45,526
Due from related companies	78,967	103,889	13,765	—	—
Structured deposits	3,357	27,541	—	—	—
Pledged deposit	—	39,478	—	—	—
Cash and bank balances	60,237	28,287	51,857	67,749	73,680
Assets held for sale	16,202	—	—	—	—
	257,840	325,957	203,417	237,217	259,795
Current liabilities					
Trade payables	41,979	47,197	39,016	44,861	39,581
Other payables and accruals	22,761	28,163	14,248	16,716	17,940
Due to related companies	89,003	94,161	449	1,119	—
Interest-bearing bank borrowings	15,540	44,000	46,671	64,920	51,106
Lease liabilities	537	—	11,799	12,033	12,033
Tax payables	4,170	8,908	2,398	1,262	9,371
	173,990	222,429	114,581	140,911	130,031
Net current assets	83,850	103,528	88,836	96,306	129,764

Our net current assets increased by approximately HK$19.7 million from approximately HK$83.9 million as at 31 December 2016 to approximately HK$103.5 million as at 31 December 2017 primarily due to (i) increase in our inventories of HK$15.1 million primarily due to stocking up of raw materials in order to cater the expected production and sales volume for coffee machines in subsequent months; (ii) the increase in our structured deposits of approximately HK$24.2 million; (iii) our increase in the current portion of prepayments, deposits and other receivables of approximately HK$5.0 million mainly due to the receivable on the disposal of leasehold improvements, which was settled in FY2018. Such increase was partially offset by the (i) increase in our bank borrowings of approximately HK$28.5 million; and (ii) increase in our tax payable of approximately HK$4.7 million due to the gain on disposal of a piece of land and increase in our profit.

Our net current assets decreased by approximately HK$14.7 million from approximately HK$103.5 million as at 31 December 2017 to approximately HK$88.8 million as at 31 December 2018 primarily because of (i) the settlement of approximately HK$90.1 million for the amount due from related companies as at 31 December 2018; and (ii) the reduction in structured deposits of approximately HK$27.5 million as we have redeemed it during FY2018, which outweighed (i) the settlement of approximately HK$93.7 million for the amount due to related companies as at 31 December 2018; and (ii) the decrease in tax payables to approximately HK$2.4 million as at 31 December 2018 because we have recorded a gain on disposal of a piece of land in FY2017, which resulted in a higher balance of tax payable as at 31 December 2017.

Our net current assets increased from approximately HK$88.8 million as at 31 December 2018 to approximately HK$96.3 million as at 30 April 2019. The increase of approximately HK$7.5 million was mainly because of (i) the increase in inventories of approximately HK$21.4 million because we had stocked up raw materials in order to cater the expected production and sales volume for coffee machines in subsequent months; (ii) the increase in our prepayments, deposits and other receivables mainly because we paid the deposits to government bureau when we began to export our products under Town Ray (Huizhou). These were partially offset by (i) our increase in trade payables of approximately HK$5.8 million as a result of our increase in purchase of raw materials; (ii) our increase in interest-bearing bank borrowings of approximately HK$18.2 million for our operation; and (iii) the decrease in our amount due from related companies of approximately HK$13.8 million.

Our net current assets increased from approximately HK$96.3 million as at 30 April 2019 to approximately HK$129.8 million as at 31 August 2019. The increase of HK$33.5 million was mainly because of (i) the increase in inventories of approximately HK$5.5 million because we had stocked up raw materials in order to cater the expected production and sales volume for coffee machines in subsequent months; (ii) the increase in trade receivables of approximately HK$5.7 million; (iii) the decrease in our interest-bearing bank borrowings of approximately HK$13.8 million; and (iv) the decrease in trade payables of approximately HK$5.3 million. These were partially offset by the increase in tax payables of approximately HK$8.1 million. As at 31 August 2019, our Group had, in aggregate, bank facilities of HK$67.0 million, of which approximately HK$12.9 million were unutilised and were trade financing in nature.

DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED BALANCE SHEETS

Further discussion of the fluctuation in the key components of our net current assets are set forth in the following paragraphs.

Property, plant and equipment

Property, plant and equipment of our Group represent buildings, leasehold improvements, plant and machinery, furniture, fixtures and equipment, and moulds. The following table set forth the carrying values of our property, plant and equipment as of the dates indicated:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Buildings	89,652	90,068	—	—
Leasehold improvements	19,218	15,626	1,063	1,061
Plant and machinery	23,537	22,352	17,666	17,134
Furniture, fixtures and equipment	2,721	2,593	1,474	1,704
Moulds	11,897	12,746	13,087	12,772
Total	147,025	143,385	33,290	32,671

The overall carrying values of our property, plant and equipment as at 31 December 2017 decreased by approximately HK$3.6 million mainly due to the decrease in carrying value of leasehold improvements of approximately HK$3.6 million resulting from the disposal of leasehold improvements in relation to the disposal of a piece of land to the local government in Huizhou, the PRC.

The overall carrying values of our property, plant and equipment as at 31 December 2018 decreased by approximately HK$110.1 million mainly due to the deemed distribution to Tunbow Investments (BVI) in connection with the Reorganisation.

The overall carrying values of our property, plant and equipment as at 30 April 2019 remained relatively stable at approximately HK$32.7 million.

Inventories

Our inventories principally represent (i) raw materials which are mainly electrical parts, plastic raw materials and parts, metal raw materials and parts, power cords and lead wires, and electronic parts; (ii) work in progress and (iii) finished goods which are products ready for sale.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, our inventories represented 12.0%, 14.1%, 21.2% and 27.2% of our current assets, respectively. The following table sets forth our ending inventory balances as of the dates indicated:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	14,677	21,956	21,786	33,517
Work in progress	7,346	12,145	9,757	13,701
Finished goods	9,005	12,076	11,570	17,336
	31,028	46,177	43,113	64,554
Inventory turnover days*(Note)*	44.6 days	66.6 days	58.7 days	77.9 days

Note: Inventory turnover days is calculated based on ending inventory balances for the year/period divided by costs of sales for the year/period and multiplied by the number of days of the year/period (i.e. 365 days for FY2016, FY2017, FY2018 and 120 days for 4M2019).

Our inventories increased by 48.8% from approximately HK$31.0 million as at 31 December 2016 to approximately HK$46.2 million as at 31 December 2017. For FY2016 and FY2017, our inventory turnover days increased from approximately 44.6 days to 66.6 days, respectively. The increase in inventory was mainly due to stocking up of raw materials in order to cater the expected production and sales volume for coffee machines in subsequent months.

Our inventories decreased by 6.6% from approximately HK$46.2 million as at 31 December 2017 to approximately HK$43.1 million as at 31 December 2018. For FY2017 and FY2018, our inventory turnover days decreased from approximately 66.6 days to 58.7 days, respectively. The decrease in inventory was mainly because we have delivered more products in December 2018 to cater the request of our customers.

Our inventories increased by 49.7% from approximately HK$43.1 million as at 31 December 2018 to approximately HK$64.6 million as at 30 April 2019. For FY2018 and 4M2019, our inventory turnover days increased from approximately 58.7 days to 77.9 days, respectively. The increase in inventory was mainly because we had stocked up raw materials to cater the expected production and sales volume for coffee machines in subsequent months.

The increase in amount of finished goods as at 30 April 2019 was mainly as a result of our products produced in accordance with the production schedule for delivery in the subsequent months. As disclosed in the paragraph below, approximately 92.8% of the inventory as at 30 April 2019 was used by 31 August 2019. Our Directors are of the view that our risk of inventories obsolescence is not material.

Among the inventory of approximately HK$31.0 million, HK$46.2 million, HK$43.1 million and HK$64.6 million as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, approximately HK$31.0 million, HK$46.2 million, HK$42.6 million and HK$59.9 million, representing approximately 100%, 100%, 98.7% and 92.8%, respectively, of which, had been subsequently utilised as at 31 August 2019.

Trade receivables

Our trade receivables were approximately HK$61.5 million, HK$69.0 million, HK$79.8 million and HK$64.9 million as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, respectively.

The following table sets forth the ageing analysis of our trade receivables based on invoice date as of the dates indicated:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	32,039	28,603	47,998	29,058
31–90 days	28,463	40,340	28,830	29,854
Over 90 days	984	30	2,982	5,968
	61,486	68,973	79,810	64,880

The following table sets forth our trade receivables turnover days for the years indicated:

	FY2016	**FY2017**	**FY2018**	**4M2019**
Trade receivables turnover days*(Note)*	62.2 days	70.2 days	78.0 days	53.9 days

Note: Trade receivables turnover days is calculated based on ending balance of trade receivables (net of allowance for doubtful debts) for the year/period, divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for FY2016, FY2017, FY2018 and 120 days for 4M2019).

For FY2016, FY2017, FY2018 and 4M2019, our trade receivables turnover days were approximately 62.2 days, 70.2 days, 78.0 days and 53.9 days respectively. We generally offer credit terms to customers ranging from 30 to 90 days, following our issuance of invoice.

The increase of trade receivables and trade receivables turnover days in FY2017 was mainly because we have mutually agreed with one of our major customers to extend the payment terms from 30 days to 60 days. The increase of trade receivables and trade receivables turnover days in FY2018 was mainly due to the relatively larger amount of sales towards the end of the year. The decrease of trade receivables and trade receivables turnover days in 4M2019 was mainly because of the increase in proportion of sales to Customer G, which was our largest customer for 4M2019, whose payment terms carried no credit period for 70% of the payment, while the remaining payment has to be settled within 60 days after the date of invoice, which, taken as a whole, was shorter than most of the other customers for 4M2019.

For the trade receivables as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, approximately HK$61.5 million, HK$69.0 million, HK$78.7 million and HK$63.6 million, representing approximately 100%, 100%, 98.6% and 98.0% respectively had been settled by 31 August 2019.

Prepayments, deposits and other receivables

Our total prepayments, deposits and other receivables amounted to approximately HK$6.6 million, HK$11.9 million, HK$15.1 million and HK$40.3 million as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, respectively. During the corresponding period, our current portion of the prepayments, deposits and other receivables amounted to approximately HK$6.6 million, HK$11.6 million, HK$14.9 million and HK$40.0 million, respectively, details of which are set out below:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	1,161	1,448	1,396	6,224
Deposits	31	297	295	295
Other receivables	5,371	10,118	13,432	33,766
	6,563	11,863	15,123	40,285
Less: Portion classified as non-current assets	—	(251)	(251)	(251)
Portion classified as current assets	6,563	11,612	14,872	40,034

The portion classified as current assets of the prepayments, deposits and other receivables are mainly in relation to purchase prepayment and insurance. The higher balance of the current portion of the prepayments, deposits and other receivables as at 31 December 2017 was mainly due to the receivables on the disposal of property, plant and equipment, which was settled in FY2018. The balance of the current portion of the prepayments, deposits and other receivables as at 31 December 2018 was further increased to approximately HK$14.9 million, which was mainly because of the increase in value-added tax receivables resulting from the time when Town Ray (Huizhou) acquired the property, plants and equipments. As at 30 April 2019, our current portion of the prepayments, deposits and other receivables increased to approximately HK$40.0 million because we paid deposits to government bureau when we began export our products under Town Ray (Huizhou).

The portion classified as non-current assets of the prepayments, deposits and other receivables are mainly in relation to the rental deposits of the workshop, godown, together with ancillary office that our Group leased. As at 31 December 2016, our non-current portion of the prepayments, deposits and other receivables was nil. The balance of the non-current portion of the prepayments, deposits and other receivables as at 31 December 2017, 31 December 2018 and 30 April 2019 remained stable at approximately HK$0.3 million, HK$0.3 million and HK$0.3 million, respectively.

Amounts due from related companies

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, we had amounts due from related companies, of approximately HK$79.0 million, HK$103.9 million, HK$13.8 million and nil, respectively. Such amount was unsecured, interest-free and repayable on demand, and will be settled prior to Listing.

The following table sets forth the nature of the amounts due from related companies as of the dates indicated:

		As at 31 December			**As at 30 April**
Name of related companies	**Nature**	**2016**	**2017**	**2018**	**2019**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tunbow Investments (BVI)	Non-trade	67,974	101,616	13,691	—
SARL Tunbow Technologies	Trade	2,487	—	—	—
東保利精密機械(惠州)有限公司 (Tunbow Precision Machinery (Huizhou) Limited)	Non-trade	8,506	—	—	—
東保達電子(惠州)有限公司 (Tunbow Electronics (Huizhou) Limited)	Non-trade	—	2,273	—	—
Dongbaoli (Shenzhen)	Non-trade	—	—	74	—
		78,967	103,889	13,765	—

Amounts due to related companies

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, we had amounts due to related companies of approximately HK$89.0 million, HK$94.2 million, HK$0.5 million and HK$1.1 million, respectively. Such amount was unsecured, interest-free and repayable on demand, and will be settled prior to Listing.

The following table sets forth the nature of the amounts due to related companies as of the dates indicated:

Name of related companies	Nature	As at 31 December 2016	2017	2018	As at 30 April 2019
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tunbow Investments (BVI)	Non-trade	—	6,122	—	1,035
Oriental Purchasing Limited	Trade	26,190	—	—	—
Tunbow Electrical (BVI) Limited	Non-trade	3,845	3,846	—	—
Dongbaoli (Shenzhen)	Non-trade	55,682	80,677	—	—
	Trade	3,286	3,516	—	—
東保達電子(惠州)有限公司 (Tunbow Electronics (Huizhou) Limited)	Non-trade	—	—	447	—
Tunbow (Huizhou)	Trade	—	—	2	—
Tunbow Properties Limited	Non-trade	—	—	—	84
		89,003	94,161	449	1,119

Structured deposits

Our Group entered into several contracts of structured deposits with bank during the Track Record Period as a measure to manage our cash and bank balances from time to time. These structured deposits were medium to low risk level with high liquidity and were suitable for those with limited experience in bank products, suggesting that the risk of losing the principal was low. The structured deposits could be redeemed by us at any time.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, we had structured deposits on hand in the amount of approximately HK$3.4 million, HK$27.5 million, nil and nil, respectively. The entire structured deposits were redeemed during FY2018. As at 30 April 2019 and up to the Latest Practicable Date, our Group did not hold structured deposits.

We may continue to invest in such structured deposits in accordance with our Group's treasury policy in the future.

Treasury policy

Our Group has adopted the treasury policy which set out the framework for managing our financial assets.

We have implemented internal control measures to monitor and control our risk exposure. We invest in medium to low risk products and structured deposits products are taken out only when our cash balance is sufficient for our Group's capital expenditure and working capital requirements for operations. We make decisions after taking into account factors including amount, period, credibility of bank and level of risk and corresponding return of the product.

Decisions are recommended by finance department, which then have to be passed to the general manager and the Board or the designated board committee or the designated Directors for approval. Under our policies and guidelines, the finance department is charged with the responsibility of carrying out the treasury management functions including sourcing treasury options for consideration and approval by the Board, and thereafter, the on-going monitoring.

Assets held for sale

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, our assets held for sale was approximately HK$16.2 million, nil, nil and nil, respectively. The assets held for sale represented a piece of land together with its related construction in progress, which situated in Huizhou, the PRC, to be sold to the local government. Tunbow (Huizhou) entered into an agreement with the local government, on 3 November 2016 at a total consideration of approximately RMB40.1 million. This transaction was completed in FY2017 and we recorded a gain on disposal of approximately HK$30.0 million during the same period.

Trade payables

The trade payables of our Group as of the dates indicated is as follow:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	41,979	47,197	39,016	44,861

Trade payables mainly represent amounts payable to suppliers for direct material costs.

The following table sets forth our trade payables turnover days for the years indicated:

	FY2016	**FY2017**	**FY2018**	**4M2019**
Trade payables turnover days*(Note)*	60.3 days	68.0 days	53.1 days	54.1 days

Note: Trade payables turnover days is calculated based on ending balance of trade payables for the year/period, divided by cost of sales for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for FY2016, FY2017, FY2018 and 120 days for 4M2019).

Our trade payables as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019 were approximately HK$42.0 million, HK$47.2 million, HK$39.0 million and HK$44.9 million, respectively. The increase in trade payables as at 31 December 2017 was mainly attributable to the increase in the purchase of raw materials around the end of the year in order to cater the expected production and sales volume of coffee machines in subsequent months. The increase in trade payables as at 30 April 2019 was mainly because we purchased more raw materials to cater the expected production and sales volume of coffee machines in subsequent months.

For FY2016, FY2017, FY2018 and 4M2019, our trade payables turnover days were approximately 60.3 days, 68.0 days, 53.1 days and 54.1 days, respectively. Our trade payables turnover days in FY2016 and FY2017 was relatively stable. The decrease in trade payables turnover days in FY2018 was mainly due to the fact that some of our suppliers required a shorter credit periods when we began to place orders with them via Town Ray (Huizhou), which was established in December 2017 and thus had short trading history with those suppliers. Our trade payables turnover days remained relatively stable in 4M2019.

Ageing analysis of our Group's trade payables based on invoice dates at the end of each reporting period is as follows:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	16,033	18,693	14,997	21,903
31–90 days	23,423	27,256	22,155	21,552
Over 90 days	2,523	1,248	1,864	1,406
	41,979	47,197	39,016	44,861

Approximately HK$42.0 million, HK$47.2 million, HK$39.0 million and HK$44.5 million or approximately 100%, 100%, 99.9% and 99.1% of the trade payables as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019 had been subsequently settled by 31 August 2019.

Other payables and accruals

Other payables and accruals mainly represent the staff welfare payables and other accruals.

The breakdown of accruals and other payables of our Group as of the dates indicated is as follow:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract liabilities	2,795	5,848	1,338	4,586
Accruals	16,737	17,529	12,773	11,695
Other payables	3,229	4,786	137	435
	22,761	28,163	14,248	16,716

Tax payable

Our tax payable, which represents our current income tax liabilities, was approximately HK$4.2 million, HK$8.9 million, HK$2.4 million and HK$1.3 million as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, our Group's operations were generally financed through a combination of shareholder's equity, internally generated cash flows, amounts due to related parties and bank borrowing. Our Directors believe that in the long term, our operation will be funded by internally generated cash flows and, if necessary, additional equity financing.

Cash flows

The following table sets forth selected cash flows from our Group's consolidated statements of cash flows for the years/periods indicated:

	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	60,237	28,287	51,857	46,293	67,749

Net cash from operating activities

We derived our cash flow from operating activities primarily through receipt of payments of sales for our products. Cash outflow in operating activities primarily comprises payment for purchases of raw materials and staff costs. Our net cash from operating activities reflects our profit before taxation, as adjusted for non-cash items, such as depreciation, loss on disposal of properties, plant and equipment and gain on disposal of assets held for sale, and the effects of movements in working capital items.

Our net cash flows generated from operating activities for FY2016 was approximately HK$53.8 million while our operating cash flows before movements in working capital was approximately HK$66.2 million. The difference of approximately HK$12.4 million was primarily attributable to the (i) increase in trade receivables of approximately HK$9.7 million as a result of increase in our sales during the year; and (ii) decrease in amounts due to related companies of approximately HK$4.7 million as a result of settlement to related company. These cash outflows were partially offset by the decrease in prepayments, deposits and other receivables of approximately HK$5.6 million as we settled the prepayment for the raw materials in previous year.

Our net cash flows generated from operating activities for FY2017 was approximately HK$7.0 million while our operating cash flows before movements in working capital was approximately HK$56.5 million. The difference of approximately HK$49.4 million was primarily attributable to the (i) increase in inventories of approximately HK$14.7 million as we purchased more raw materials to cater the expected production and sales volume; (ii) increase in prepayments, deposits and other receivables of approximately HK$4.7 million because of the receivables on the disposal of property, plant and equipment, which was settled in FY2018; and (iii) increase in amounts due from related companies of approximately HK$22.6 million as a result of payment on behalf of related company.

Our net cash flows generated from operating activities for FY2018 was approximately HK$106.2 million while our operating cash flows before movements in working capital was approximately HK$63.6 million. The difference of approximately HK$42.6 million was primarily attributable to the (i) increase in trade receivables of approximately HK$11.8 million due to increase in sales; (ii) decrease in amounts due from related companies of approximately HK$32.3 million as a result of settlement with related companies; (iii) increase in amounts due to related companies of approximately HK$46.8 million, of which approximately HK$30.0 million was used to establish Town Ray (Huizhou) as its registered capital, and was subsequently used for Town Ray (Huizhou)'s operation including acquisition of property, plant and equipment and inventories and approximately HK$16.8 million was used as working capital.

Our net cash flows generated from operating activities for 4M2018 was approximately HK$45.4 million while our operating cash flows before movements in working capital was approximately HK$10.1 million. The difference of approximately HK$35.3 million was primarily attributable to the (i) decrease in trade receivables of approximately HK$25.2 million; (ii) decrease in trade payables of approximately HK$11.5 million as we settled the payment to our suppliers; and (iii) decrease of amounts due from related companies of approximately HK$17.1 million.

Our net cash flows generated from operating activities for 4M2019 was approximately HK$3.1 million while our operating cash flows before movements in working capital was approximately HK$18.8 million. The difference of approximately HK$15.7 million was primarily attributable to the (i) increase in inventories of approximately HK$20.4 million as we purchased more raw materials to cater the expected production and sales volume; (ii) decrease in trade receivables of approximately HK$13.8 million; and (iii) increase in prepayments, deposits and other receivables of approximately HK$24.9 million as we paid the deposits to government bureau when we began to export our products under Town Ray (Huizhou).

Net cash flows from/(used in) investing activities

Our cash inflow from investing activities primarily comprises proceeds from disposal of items of property, plant and equipment, proceeds from disposal of assets held for sale, and proceeds from redemption of structured deposits. Cash outflow in investing activities primarily comprises purchases of property, plant and equipment, purchases of structured deposits, increase in deposits paid for the purchases of property, plant and equipment.

For FY2016, we had net cash outflow in investing activities of approximately HK$6.6 million. This amount primarily represents (i) our purchase of items of property, plant and equipment of approximately HK$5.1 million; and (ii) our purchase of structured deposits of approximately HK$75.1 million. These cash outflow was largely offset by the proceeds received from the redemption of structured deposits of approximately HK$73.7 million.

For FY2017, we had net cash outflow in investing activities of approximately HK$16.7 million. This amount primarily represents (i) our purchase of structured deposits of approximately HK$173.7 million; and (ii) our increase in pledged deposits of approximately HK$38.2 million. These cash outflow was partially offset by (i) the proceeds received from disposal of the piece of land to the local government in Huizhou, the PRC, of approximately HK$47.1 million; and (ii) the proceeds received from the redemption of the structured deposits of approximately HK$152.7 million.

For FY2018, we had net cash inflow in investing activities of approximately HK$13.9 million. This amount primarily represents (i) the proceeds received from the redemption of the structured deposits of approximately HK$130.7 million; and (ii) the proceeds received from the disposal of property, plant and equipment of approximately HK$3.7 million. These cash inflow was partially offset by (i) our payment for the purchase of property, plant and equipment of approximately HK$20.6 million; and (ii) our purchase of structured deposits of approximately HK$103.7 million.

For 4M2018, we had net cash outflow in investing activities of approximately HK$16.3 million. This amount primarily represents our payment for the purchase of property, plant and equipment of approximately HK$18.6 million. These cash outflow was partially offset by the decrease in our deposits paid for our purchase of property, plant and equipment of approximately HK$3.2 million.

For 4M2019, we had net cash outflow in investing activities of approximately HK$1.5 million. This amount primarily represents our payment for the purchase of property, plant and equipment of approximately HK$1.4 million.

Net cash flows from/(used in) financing activities

Our net cash flows used in financing activities for FY2016 was approximately HK$34.5 million, which was attributable to the increase in our bank loans of approximately HK$57.7 million, which was offset by our repayment of bank loans of approximately HK$50.7 million, and our repayment of loan to a related company of approximately HK$40.0 million

Our net cash used in financing activities for FY2017 was approximately HK$24.1 million, which was attributable to our repayment of bank loans of approximately HK$34.5 million and the dividend payment of approximately HK$51.7 million, which was partially offset by the increase in bank loans of approximately HK$63.0 million.

Our net cash used in financing activities for FY2018 was approximately HK$93.1 million, which was attributable to (i) our repayment of bank borrowings of approximately HK$47.1 million; (ii) the dividend payment of approximately HK$32.2 million; and (iii) the effect of deemed distribution to Tunbow Investments (BVI) of approximately HK$61.8 million, which was offset by the increase in bank loans of approximately HK$49.8 million.

Our net cash used in financing activities for 4M2018 was approximately HK$11.6 million, which was attributable to our repayment for bank borrowings of approximately HK$11.0 million.

Our net cash generated from financing activities for 4M2019 was approximately HK$13.6 million, which was attributable to the increase in bank loans of approximately HK$49.4 million, which was partially offset by our repayment of bank borrowings of approximately HK$31.2 million.

INDEBTEDNESS

The following table sets out our Group's indebtedness as at the respective financial position dates:

	As at 31 December			As at 30 April	As at 31 August
	2016	**2017**	**2018**	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)
Current liabilities					
Due to related companies	89,003	94,161	449	1,119	—
Interest-bearing bank borrowings	15,540	44,000	46,671	64,920	51,106
Lease liabilities	537	—	11,799	12,033	12,033
Non-current liabilities					
Lease liabilities	—	—	18,450	18,642	13,799
	105,080	138,161	77,369	96,714	76,938

Bank borrowings

Interest-bearing bank borrowings

	As at 31 December			As at 30 April	As at 31 August
	2016	2017	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
Secured bank loans repayable:					
Within one year	15,540	37,000	33,671	53,420	41,106
In the second year	—	2,000	4,000	4,000	4,000
In the third to fifth years, inclusive	—	5,000	9,000	7,500	6,000
	15,540	44,000	46,671	64,920	51,106

The bank borrowings bear interest of Hong Kong Interbank Offered Rate ("**HIBOR**") plus 1.2% and London Interbank Offered Rate ("**LIBOR**") plus 1.2% as at 31 December 2016; HIBOR plus 0.8% to 1.75% as at 31 December 2017; LIBOR plus 1.2% and HIBOR plus 1.75% as at 31 December 2018; LIBOR plus 1.2% and HIBOR plus 1.75% as at 30 April 2019; and LIBOR plus 1.2% and HIBOR plus 1.75% as at 31 August 2019.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 28 February 2019, our bank borrowings were secured by (i) the pledge of investment properties of a related company controlled by Tunbow Investments (BVI); (ii) the corporate guarantee by Tunbow Investments (BVI); (iii) the pledge of time deposits of Tunbow (Huizhou); and (iv) the personal guarantee from Dr. Chan and Ms. Cheng.

As at 31 December 2016, our bank borrowings were also secured by corporate guarantee by certain related companies controlled by Tunbow Investments (BVI). Such guarantee was released during FY2017.

Our Directors confirm that the guarantee mentioned above and the security given by the properties will be released upon Listing.

Our Directors confirm that there was no material delay or default in the repayment of bank borrowings and our Group did not have any difficulties in obtaining bank borrowings during the Track Record Period and up to the Latest Practicable Date.

Contingent liabilities

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, we did not have any contingent liabilities, respectively.

OFF-BALANCE SHEET ARRANGEMENTS AND COMMITMENTS

Our Directors confirm that our Group did not have any material off-balance sheet transactions or arrangements during the Track Record Period.

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(Note 1)	1.5 times	1.5 times	1.8 times	1.7 times
Quick ratio(Note 2)	1.3 times	1.3 times	1.4 times	1.2 times
Return on total assets(Note 3)	5.4%	10.0%	14.1%	17.1%
Return on equity(Note 4)	9.2%	18.2%	27.9%	36.4%
Gearing ratio(Note 5)	41.8%	50.8%	34.5%	46.3%
Debt to equity ratio(Note 6)	17.7%	40.4%	Net cash	Net cash
Interest coverage(Note 7)	33.6 times	201.7 times	52.9 times	21.2 times

Notes:

1. Current ratio is calculated based on the current assets divided by current liabilities as at the respective year/period end.

2. Quick ratio is calculated based on the current assets less inventories, divided by current liabilities as at the respective year/period end.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

Current and quick ratio

Our current ratio as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019 were approximately 1.5 times, 1.5 times, 1.8 times and 1.7 times, respectively, while the quick ratio as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019 were approximately 1.3 times, 1.3 times, 1.4 times and 1.2 times, respectively.

Our current ratio and quick ratio remained stable as at 31 December 2016 and 31 December 2017. The increase in our current ratio and quick ratio as at 31 December 2018 was mainly due to the decrease in the amount due to related companies of approximately HK$93.7 million. The slight decrease in our current ratio and quick ratio as at 30 April 2019 was mainly due to the increase in bank borrowings of approximately HK$18.2 million for operation.

Return on total assets

Our return on total assets increased from approximately 5.4% for FY2016 to approximately 10.0% for FY2017, primarily due to our gain on disposal of the piece of land to the local government in Huizhou, the PRC, in FY2017.

Our return on total assets further increased to approximately 14.1% for FY2018, primarily due to the decrease in totals assets as a result of the deemed distribution to Tunbow Investments (BVI) in FY2018.

Our return on total assets (after adding back the Listing expenses) increased to approximately 17.1% for 4M2019 as a result of the growth in net profit for 4M2019.

Return on equity

Our return on equity increased from approximately 9.2% for FY2016 to approximately 18.2% for FY2017, which was attributable to our gain on disposal of the piece of land in FY2017 as discussed above.

Our return on equity further increased to approximately 27.9% for FY2018, primarily due to (i) the deemed distribution to Tunbow Investments (BVI); and (ii) the declaration of dividends of approximately HK$32.2 million during FY2018, both led to the decrease in equity.

Our return on equity (after adding back the Listing expenses) increased to approximately 36.4% for 4M2019 as a result of the growth in net profit for 4M2019.

Gearing ratio

Our gearing ratio increased from approximately 41.8% for FY2016 to approximately 50.8% for FY2017, as a result of the increase in bank borrowings from approximately HK$15.5 million as at 31 December 2016 to approximately HK$44.0 million as at 31 December 2017 for our business expansion.

Our gearing ratio decreased from approximately 50.8% for FY2017 to approximately 34.5% for FY2018, primarily due to the decrease in the amounts due to related companies of approximately HK$93.7 million, which was partially offset by (i) the deemed distribution to Tunbow Investments (BVI); and (ii) the declaration of dividends of approximately HK$32.2 million during FY2018, both led to the decrease in equity.

Our gearing ratio increased from approximately 34.5% for FY2018 to approximately 46.3% for 4M2019, primarily due to the increase in bank borrowings from approximately HK$46.7 million as at 31 December 2018 to approximately HK$64.9 million as at 30 April 2019 for operation.

Debt to equity ratio

Our debt to equity ratio increased from approximately 17.7% as at 31 December 2016 to approximately 40.4% as at 31 December 2017, primarily due to the increase in bank borrowings of approximately HK$28.5 million as at 31 December 2017 for our business expansion.

No debt to equity ratio was calculated as at 31 December 2018 and 30 April 2019 because our Group was in net cash position.

Interest coverage

Our Group's interest coverage increased from approximately 33.6 times for FY2016 to approximately 201.7 times for FY2017, primarily due to the surge in profit before interest and tax from approximately HK$35.1 million for FY2016, to approximately HK$59.3 million for 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.

Our Group's interest coverage decreased significantly from approximately 201.7 times for FY2017 to approximately 52.9 times for FY2018, primarily due to the drop in profit before interest and tax as the gain on disposal of a piece of land was recorded in FY2017, while our finance cost increased in FY2018 as a result of increase in bank borrowings towards the end of FY2017.

Our Group's interest coverage (after adding back the Listing expenses) decreased to approximately 21.2 times for 4M2019, primarily due to the increase in our finance cost as a result of our increase in bank borrowings for 4M2019 for operation.

CAPITAL COMMITMENTS

The following table sets out the capital commitments of our Group during the Track Record Period:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted, but not provided for:				
Plant and machinery	718	1,223	342	545
Moulds	1,869	6,022	650	188
Construction in progress	4,514	4,831	—	—
	7,101	12,076	992	733

Our capital commitments primarily comprise purchase of plant and machinery, moulds and construction in progress. The construction in progress was related to an agreement that we entered into with a construction company for the construction work on the piece of land that was then disposed to the local government in Huizhou, the PRC. Having considered the substantial amount of resources involved in developing this piece of land, we did not proceed on the relevant construction work, and this agreement was terminated in FY2018 and ceased to be recorded as capital commitment as at 31 December 2018 and 30 April 2019, respectively.

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 of 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 to this prospectus.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration our Group's internal resources, available banking facilities and the estimated net proceeds from the Share Offer, our Group has sufficient working capital for its present requirements, for at least the next 12 months from the date of this prospectus.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 28 September 2017. As at 30 April 2019, our Company had no distributable reserves available for distribution to the Shareholders.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions, details of which are set out in note 32 to the Accountants' Report set out in Appendix I to this prospectus. Our Directors confirmed that these related party transactions were conducted on arm's length negotiations, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our future performance.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The major financial risks arising from our Group's normal course of business include interest rate risk, credit risk, liquidity risk and foreign currency risk. For details, please refer to note 35 — "Accountants' Report — Financial risk management objectives and policies" to the Appendix I of this prospectus.

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.

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.

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.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to the paragraph headed "A. Unaudited pro forma adjusted consolidated net tangible assets" set out in Appendix II to this prospectus for details.