CHEERWIN

朝雲集團有限公司

Cheerwin Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code：6601

GLOBAL OFFERING

Joint Sponsors , Joint Global Coordinators , Joint Bookrunners and Joint Lead Managers

Morgan Stanley

CICC 中金公司

Joint Lead Manager

富途證券

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

Cheerwin Group Limited
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(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**333,333,500 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**33,334,000 Shares (subject to adjustment)**
Number of International Offer Shares	:	**299,999,500 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	:	**HK$9.20 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**US$0.0000002 per Share**
Stock code	:	**6601**

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Morgan Stanley

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

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

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and our Company on or about Wednesday, March 3, 2021 and, in any event, not later than Monday, March 8, 2021. The Offer Price will be not more than HK$9.20 per Offer Share and is currently expected to be not less than HK$7.80 per Offer Share, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Monday, March 8, 2021 between the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the section headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

February 26, 2021

Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Friday, February 26, 2021
Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**(2)	11:30 a.m. on Wednesday, March 3, 2021
Application lists open(3)	11:45 a.m. on Wednesday, March 3, 2021
Latest time for (a) lodging **WHITE** and **YELLOW** Application Forms, (b) completing payment for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (c) giving **electronic application instructions** to HKSCC(4)	12:00 noon on Wednesday, March 3, 2021
Application lists close(3)	12:00 noon on Wednesday, March 3, 2021
Expected Price Determination Date(5)	Wednesday, March 3, 2021
(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Tuesday, March 9, 2021
(2) An announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.cheerwin.com**(6) (see "How to Apply for the Hong Kong Offer Shares – 11. Publication of Results" in this prospectus) from	Tuesday, March 9, 2021

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from . . . . Tuesday, March 9, 2021

Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before(7)(9) . . . . Tuesday, March 9, 2021

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications to be dispatched on or before(8)(9) . . . . Tuesday, March 9, 2021

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . Wednesday, March 10, 2021

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

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

(3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, March 9, 2021, the application lists will not open or close on that day. See "How to Apply for the Hong Kong Offer Shares – 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for the Hong Kong Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or around Wednesday, March 3, 2021 and, in any event, not later than Monday, March 8, 2021. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and us by Monday, March 8, 2021, the Global Offering will not proceed and will lapse.

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

(7) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

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

(9) Applicants who have applied on **WHITE** Application Forms or **White Form eIPO** for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates in person from our Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, March 9, 2021 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations which is eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for the Hong Kong Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Monies – Personal Collection – (iv) If you apply via Electronic Application Instructions to HKSCC" in this prospectus for details.

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

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for the Hong Kong Offer Shares – 13. Refund of Application Monies" and "How to Apply for the Hong Kong Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares", respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

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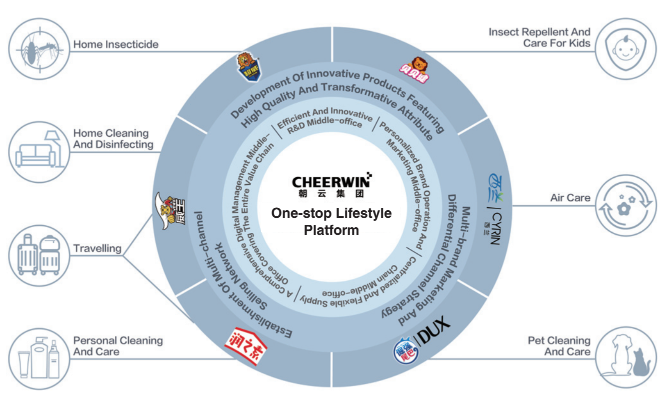
This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with, the full prospectus. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading one-stop multi-category household care and personal care platform in China, developing and manufacturing a variety of household care, personal care and pet care products. We distribute our products through an omni-channel sales network across China. Our household care products include a wide array of household insecticides and repellents such as mosquito coils and liquid vaporizers and a number of household cleaning products such as disinfectants, kitchen cleaners and toilet cleaners. Our air care products include a variety of air fresheners. Our personal care products include skin care products, hair and body care products, hand sanitizers and Florida Water. Our pet care product include a variety of pet shampoos and deodorants. We ranked third among domestic companies in China's household care industry in each of the past five years between 2015 and 2019, and ranked fourth among all companies in China's household care industry, with a market share of 6.3% in 2019, in terms of retail sales value according to CIC, and have quickly established leading positions in various sub-categories of personal care and pet care. With our commitment to creating a better life for Chinese families, we continue to provide consumers with effective, convenient and safe products through product upgrades.

Our Business Model

We have a vertically integrated business model that provides us control over the most critical elements of the value chain, including research and development, manufacturing, marketing and sales and distribution. We have built a multi-category product portfolio, which can be broadly categorized into household care segment, personal care segment and pet care segment. We manufacture certain of our products at our Panyu and Anfu Plants and outsource the manufacturing processes of certain products to Liby Group and other third party manufacturers. We distribute our products through an omni-channel sales network across China that allows us to reach a broad customer base in our target markets. As of September 30, 2020, our sales and distribution network primarily consisted of (i) an offline network of more than 1,200 distributors with approximately 620,000 points of sales across China, (ii) 48 key account clients, including operators of national and regional hypermarkets, supermarkets, department stores and convenience stores through Liby Group, covering approximately 11,000 points of sales, and (iii) online channels, including sales to consumers through our 14 self-operated online stores on major e-commerce platforms, such as Tmall, and sales to a network of online third party distributors. Our business model is illustrated in the following diagram:



OUR INDUSTRY AND MARKET POSITION

According to CIC, we ranked third among domestic companies in China's household care industry in each of the past five years between 2015 and 2019, and fourth among all companies in China's household care industry, with a market share of 6.3% in 2019, in terms of retail sales value. We have benefitted from the robust growth and favorable market trends of China's household care industry. China's household care industry is currently undergoing structural changes. The COVID-19 pandemic has caused an unprecedented impact on the global economy and increased consumers' awareness of home and environment hygiene and demand for products that save housework time and safeguard personal health and hygiene. According to CIC, retail sales value of disinfectant products in China grew fastest among the sub-categories of China's household care market in the first half of 2020, by approximately 40.0% year on year. The CAGR is expected to reach 18.4% from 2019 to 2024. In addition, the COVID-19 pandemic has further accelerated the growth of online shopping. In the first half of 2020, the retail sales value of household care products in e-commerce channels increased by about 40% over the same period last year, and the penetration of household care products in e-commerce channels reached approximately 25% in the first half of 2020, and is expected to reach 30% by 2024. We believe that with our leading market position, our popular household brands, attractive product offerings and our omni-channel distribution network, we are best positioned to capitalize on the strong expected growth opportunities ahead in the household care industry in China.

OUR BRANDS AND PRODUCTS

We provide consumers with comprehensive household care, personal care and pet care product offerings, mainly under seven core brands, namely, Vewin (威王), Superb (超威), Babeking (貝貝健), Cyrin (西蘭), Rikiso (潤之素), Naughty Buddy (倔強的尾巴) and Dux (德是). The following table shows the revenue of our product categories by amount and as a percentage of our total revenue for the Track Record Period.

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000 (unaudited)*	*(%)*	*RMB'000*	*(%)*
Household Care										
Household Insecticides and Repellents	920,380	68.4	936,376	69.4	875,948	63.3	862,612	69.0	948,083	64.9
Household Cleaning	330,170	24.5	330,846	24.5	362,200	26.2	273,576	21.9	354,957	24.3
Air Care	77,353	5.7	63,501	4.7	62,096	4.5	49,111	3.9	46,124	3.2
Sub-total	1,327,903	98.6	1,330,723	98.6	1,300,244	94.0	1,185,299	94.8	1,349,164	92.4
Personal Care	–	–	–	–	71,495	5.2	54,851	4.4	92,810	6.3
Pet Care	35	–	87	–	1,743	0.1	254	–	9,940	0.7
Others(1)	18,276	1.4	19,263	1.4	9,920	0.7	9,642	0.8	9,461	0.6
Total revenue	**1,346,214**	**100.0**	**1,350,073**	**100.0**	**1,383,402**	**100.0**	**1,250,046**	**100.0**	**1,461,375**	**100.0**

Note:

(1) Others include household supplies and appliances and other products.

The following table sets forth a breakdown of our gross profit and gross profit margin by product category for the periods indicated.

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000 (unaudited)*	*(%)*	*RMB'000*	*(%)*
Household Care										
Household Insecticides and Repellents	311,107	33.8	311,816	33.3	357,833	40.9	352,371	40.8	368,892	38.9
Household Cleaning	139,962	42.4	150,964	45.6	173,768	48.0	130,847	47.8	193,307	54.5
Air Care	27,354	35.4	31,616	49.8	33,569	54.1	27,607	56.2	26,914	58.3
Sub-total	**478,423**	**36.0**	**494,396**	**37.2**	**565,170**	**43.5**	**510,825**	**43.1**	**589,113**	**43.7**

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(unaudited)*	*(%)*	*RMB'000*	*(%)*
Personal Care	–	–	–	–	30,585	42.8	23,372	42.6	30,569	32.9
Pet Care	14	40.0	49	56.3	1,103	63.3	147	57.9	5,598	56.3
Others(1)	5,432	29.7	7,680	39.9	3,002	30.3	2,970	30.8	1,250	13.3
Total	**483,869**	**35.9**	**502,125**	**37.2**	**599,860**	**43.4**	**537,314**	**43.0**	**626,530**	**42.9**

Note:

(1) Others include household supplies, appliances and other products.

Gross profit margin of our household insecticides and repellents products decreased by 1.9% from the nine months ended September 30, 2019 to the corresponding period in 2020 primarily due to the temporary shortage and increase in purchase prices of raw materials during the COVID-19 outbreak in early 2020. Gross profit margin of our household cleaning and air care products increased primarily because of increasing sales attributable to our online channels as well as the increasing portion of sales of products with relatively higher profit margin during the nine months ended September 30, 2020 as compared to the same period in 2019. Gross profit of our personal care products increased by 30.8% from the nine months ended September 30, 2019 to the corresponding period in 2020 mainly due to our continuous efforts to optimize our product mix, while gross profit margin of our personal care products decreased over the same periods primarily due to the temporary shortage and increase in purchase prices of packaging materials for relevant products during the COVID-19 outbreak in early 2020. Gross profit of pet care products increased significantly from RMB147 thousand for the nine months ended September 30, 2019 to RMB5.6 million for the corresponding period in 2020 primarily due to our full and formal launch of this business in the second half of 2019. Gross profit margin of pet care products, on the other hand, decreased over the same periods because the proportion of products with relatively lower profit margin increased as we continued to expanded the product offerings.

Our revenue from household insecticides and repellents products increased by 9.9% from RMB862.6 million in the nine months ended September 30, 2019 to RMB948.1 million in the nine months ended September 30, 2020, primarily due to (i) our continuous introduction of new products as well as product mix improvement to offer upgraded products, such as Superb liquid vaporizer heaters (double tanks), (ii) our strategy to develop and optimize our omni-channels, especially online channels, and (iii) to a lesser extent, the emerging market demands due to the COVID-19 outbreak. Our revenue from household insecticides and repellents products decreased by 6.5% from RMB936.4 million in 2018 to RMB875.9 million in 2019, primarily because (i) we raised prices as we upgraded our household insecticides and repellents products in 2018 which affected our sales in the first half of 2019 while the market gradually adapts to the price raise; and (ii) performance of our offline channels in 2019 was affected by the strategic transition we made to focus more on our online channels to cater to the changes in consumer shopping habits; partially offset by (iii) the growing popularity of our upgraded products including mosquito repellent gel; and (iv) the growth of our online business.

Our revenue from air care products decreased slightly by 2.2% from RMB63.5 million in 2018 to RMB62.1 million in 2019. The relevant changes were primarily related to the decrease in sales of our tradition product portfolio as we are still testing our upgraded product portfolio. Our revenue from air care products decreased by 17.9% from RMB77.4 million in 2017 to RMB63.5 million in 2018, primarily due to a decrease in sales of traditional gel and liquid air fresheners sold through offline channels. As the above strategic repositioning was still at a testing stage and less resources were devoted to our traditional products, sales for air care products decreased in 2018. For a more detailed discussion of our revenue, gross profit and gross profit margin, see "Financial Information – Results of Operations."

PRODUCT DEVELOPMENT

We seek to differentiate ourselves from traditional household product companies through our relentless focus on developing new products, as consumers increasingly demand products that are effective, safe and incorporate up-to-date technologies. Our in-house R&D laboratories are equipped with top-grade analysis and testing equipment that supports our R&D's teams efforts in product formulation and packaging developments. We have established four functional laboratories as well as research collaborations with a number of leading institutions.

We have a track record of developing and manufacturing diversified products in China. Some of the key products we have introduced to the market include: Superb Mosquito Proof Net (超威防蚊網) and Babeking Mosquito Proof Net (貝貝健防蚊網), two new forms of mosquito repellents that vaporize at room temperature without igniting or electricity, and can last for 30 or 100 days; Babeking Mosquito Repellent Gel (貝貝健驅蚊啫喱), a new children-friendly product that utilizes non-toxic and non-stimulating ingredients; Superb Tornado Proof Mat (超威小旋風), a new battery-powered portable fan that disperses insect repellent and provides continuous protection against mosquitoes; and Vewin Antibacterial Sachet (威王除菌包), a new wearable spatial disinfecting and deodorizing product in China that disperses effective antibacterial ingredients at room temperature. As a testament to our success and dedication in product development, many of our new products have been commercially successful and a number of our products have exceeded a retail sales value of RMB100 million in 2019.

OMNI-CHANNEL SALES NETWORK

We distribute our products through a robust omni-channel sales network across China, including multiple offline and online sales channels. As of September 30, 2020, our robust omni-channel distribution platform consisted of (i) an offline network of more than 1,200 distributors with approximately 620,000 points of sales in all provinces, all prefecture level cities and a large majority of county-level cities across China, (ii) sales to 48 key account clients, including operators of national and regional hypermarkets, supermarkets, department stores and convenience stores through Liby Group, covering approximately 11,000 points of sales, and (iii) online channels, including sales to consumers through our 14 self-operated online stores on major e-commerce platforms, such as Tmall, and sales to a network of online third party distributors. Besides, we also sell to a network of 229 corporate and institutional customers, including hotels, airlines, pharmacies and other corporations, and export our products to 24 countries. For details on the key account distribution channels through Liby Group, please refer to the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions – 1. Sales Framework Agreement with Liby Group" in this prospectus.

The table below sets forth the breakdown of revenue by our sales channel, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated.

	For the year ended December 31,						**For the nine months ended September 30,**			
	2017		**2018**		**2019**		**2019**		**2020**	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000 (unaudited)*	*(%)*	*RMB'000*	*(%)*
Offline Distributors	1,104,787	82.1	1,023,046	75.8	938,024	67.9	869,376	69.6	917,616	62.8
Online Channels	–	–	15,357	1.1	152,646	11.0	124,023	9.9	238,586	16.3
– Online Distributors	–	–	15,357	1.1	69,525	5.0	52,604	4.2	96,852	6.6
– Self-operated Online Stores	–	–	–	–	83,121	6.0	71,419	5.7	141,734	9.7
Corporate and Institutional Customers	–	–	1,079	0.1	4,096	0.3	4,037	0.3	2,616	0.2
Overseas Distributors	–	–	–	–	2,002	0.1	1,015	0.1	357	–
Liby Channel	241,427	17.9	310,591	23.0	286,634	20.7	251,595	20.1	302,200	20.7
Total Revenue	**1,346,214**	**100.0**	**1,350,073**	**100.0**	**1,383,402**	**100.0**	**1,250,046**	**100.0**	**1,461,375**	**100.0**

Revenue contributed by overseas distributors decreased from RMB1.0 million for the nine months ended September 30, 2019 to RMB0.4 million for the corresponding period in 2020, primarily due to the impacts of the COVID-19 pandemic on global supply chain and distribution.

The following table sets forth a breakdown of our gross profit and gross profit margin by sales channels for the periods indicated.

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(unaudited)*	*(%)*	*RMB'000*	*(%)*
Offline Distributors	418,470	37.9	393,780	38.5	416,702	44.4	384,272	44.2	380,049	41.4
Online Channels	–	–	7,136	46.5	75,990	49.8	59,986	48.4	121,265	50.8
– Online Distributors	–	–	7,136	46.5	33,302	47.9	24,418	46.4	46,150	47.7
– Self-operated Online Stores	–	–	–	–	42,688	51.4	35,568	49.8	75,115	53.0
Corporate and Institutional Customers	–	–	686	63.6	1,886	46.0	1,859	46.0	1,546	59.1
Overseas Distributors	–	–	–	–	1,246	62.2	647	63.7	194	54.3
Liby Channel	65,399	27.1	100,523	32.4	104,036	36.3	90,550	36.0	123,476	40.9
Total	**483,869**	**35.9**	**502,125**	**37.2**	**599,860**	**43.4**	**537,314**	**43.0**	**626,530**	**42.9**

Gross profit of offline distributors fluctuated during the Track Record Period which was mainly a result of the changes in product mix in relevant periods. Gross profit margin of offline distributors increased from 2017 to 2019 mainly due to our strategy to optimize product mix which increased their sales of the proportion of products with relatively higher margin. Gross profit margin of offline distributors decreased from the nine months ended September 30, 2020 from the corresponding period in 2019, which was mainly due to the relative higher proportion of household insecticides products sold through these channels. The gross profit margin of such products was relatively low in the first nine months of 2020, primarily due to the higher cost of sales as impacted by the COVID-19 outbreak. Gross profit and gross profit margin of online channels increased during the Track Record Period as we deepened our strategy to develop online business and continued to improve product mix. Gross profit of Liby channels continued to increase during the Track Record Period which was in line with our overall business growth. Gross profit margin of Liby channel improved during the Track Record Period was partially attributable to the increased proportion of products with higher profit margin during the relevant periods. It also reflected our increasing pricing power resulting from our own offline marketing efforts to promote brand recognition and gain market acceptance. For a more detailed discussion of our revenue, gross profit and gross profit margin by sales channels, see "Financial Information – Results of Operations."

SEASONALITY

Our results of operations are affected by seasonal fluctuations in demand for our products. We experience higher sales volume in the time leading to the Chinese New Year holidays, primarily because (i) our household cleaning products are in high demands due to the Chinese New Year tradition of cleaning the house, and (ii) our distributors place the orders in advance to avoid the shortage of manpower and logistics services during the Chinese New Year holidays. Our sales are also higher around the few major online shopping holidays in China, such as the 618 Shopping Festival on June 18. We typically record higher sales volumes from January to April of a year for our household insecticides and repellents products, when distributors start to place orders and make purchases in preparation for the peak consumer demands for insecticides and repellents products in the summer months from April to September. Our revenue and profit are concentrated in the first three quarters of the year. In 2019, we generated 90.4% of our full-year revenue and 94.7% of our profit and total comprehensive income for the year in the first three quarters. Moreover, sales of certain products are subject to seasonality by nature. For more information of the seasonality of our operations, see "Risk Factors – Risks Relating to Our Business and Industry – Our business operations may be subject to seasonality", "Business – Omni-channel Sales Network – Seasonality", and "Financial Information – Factors Affecting Our Financial Condition and Result of Operations".

PRODUCTION

We perform the manufacturing processes for certain of our products at our Panyu and Anfu Plants and outsource the manufacturing processes of certain products to Liby Group and other third party manufacturers, most of whom we have stable and long-term relationships with. This combination of in-house and outsourced manufacturing processes enables us to control our core technical know-how and intellectual property and ensure the quality of our products while controlling our production costs. Our Panyu Plant and Anfu Plant are located in Guangdong and Jiangxi Provinces with an approximately gross floor area of 62,574 square meters. In our in-house manufacturing processes, our dedication to product quality enables us to maintain our status as one of the most prestigious and iconic brands in the household care industry.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors:

- We are a leading one-stop multi-category household care and personal care platform in China, developing and manufacturing a variety of household care, personal care and pet care products.
- With an efficient R&D system and a good track record of product development, we lead the upgrade and iteration of household care industry in China.
- We have multiple well-known brands with an established brand incubation system.
- A nationwide, deeply penetrative sales network with comprehensive online and offline coverage.
- Comprehensive digitalization brings us efficient operation management.
- High-quality products and efficient supply chain system.
- We have a management team with multi-brand operation capabilities, entrepreneurial spirit, acquisition and integration capabilities, and strong shareholder support.

OUR DEVELOPMENT STRATEGIES

- Organization and talent strategy: to build a talent development system and an empowered organization that attracts external talents.
- Brand strategy: to continue to implement our highly customized strategy, and expand our product offering to build an one-stop multi-category platform.
- Channel strategy: to further strengthen our omni-channel strategy, focusing on online channels and other new channels.
- Marketing strategy: to implement a customized marketing strategy.
- Supply chain strategy: to improve supply chain efficiency and flexibility and deploy overseas supply chains.
- Digitalization strategy: to improve organizational and operational efficiency through digitalization.

RISK FACTORS

There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our industry and business, (ii) risks relating to doing business in the PRC and (iii) risks relating to the Global Offering. We believe that the most significant risks we face include the following: our business depends heavily on the strength of our brands and reputation, and consumers' recognition and their trust in our products may be materially and adversely affected if we fail to maintain and enhance our brands and reputation; we operate in a highly competitive industry If we are unable to compete effectively with existing or new competitors, our sales, market share and profitability could decline; our business is subject to changes in consumer demand, preferences and spending patterns; our efforts in developing, launching and promoting new brands and products, diversifying our brand and product portfolio may not be successful; our business operations may be subject to seasonality; and our brands and products may be subject to counterfeiting imitation, and/or infringement by third parties. A detailed discussion of all the risk factors involved are set forth in "Risk Factors" and you should read the whole section carefully before you decide to invest in the Offer Shares.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables summarize our consolidated financial results during the Track Record Period and should be read in conjunction with the section headed "Financial Information" of this Prospectus and the Accountants' Report set out in Appendix I to this Prospectus, together with the respective accompanying notes.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the year ended December 31,			For the nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue	1,346,214	1,350,073	1,383,402	1,250,046	1,461,375
Cost of sales	(862,345)	(847,948)	(783,542)	(712,732)	(834,845)
Gross profit	**483,869**	**502,125**	**599,860**	**537,314**	**626,530**
Other income	11,815	34,184	42,103	16,735	16,864
Other gains and losses	(7,618)	100	230	213	(18,463)
Impairment losses in respect of trade receivables, net of reversal	(160)	(489)	265	571	(1,679)
Selling and distribution expenses	(229,081)	(241,020)	(334,228)	(275,712)	(284,468)
Administrative expenses	(30,009)	(41,610)	(62,415)	(48,705)	(57,423)
Finance costs	(182)	(307)	(299)	(175)	(1,783)
Listing expenses	–	(11,421)	(13,300)	(10,260)	(8,262)
Profit before tax	**228,634**	**241,562**	**232,216**	**219,981**	**271,316**
Income tax expense	(58,459)	(64,527)	(47,856)	(45,312)	(56,407)
Profit and total comprehensive income for the year/period	**170,175**	**177,035**	**184,360**	**174,669**	**214,909**
Profit (loss) and total comprehensive income (expense) for the year/ period attributable to:					
– Owners of the Company	170,175	177,035	185,164	174,874	205,291
– Non-controlling interests	–	–	(804)	(205)	9,618
	170,175	177,035	184,360	174,669	214,909
Non-IFRS Measure:					
Adjusted net profit	170,175	188,456	197,660	184,929	241,625

For a discussion of our revenue and gross profit during the Track Record Period, see "– Our Brands and Products" and "– Omni-channel Sales Network" in this Summary section and "Financial Information – Results of Operations."

Our other income increased by 23.2% from RMB34.2 million in 2018 to RMB42.1 million in 2019, primarily because we received government grants of RMB10.0 million in the first half of 2019 as Cheerwin Biotechnology was designated as a key enterprise worthy of government support (政府重點扶持企業). We also recorded interest income from a related party in 2018 in relation to a loan extended to Baokai Daorong, a related party, the maximum outstanding balance of which was RMB300.0 million, with an effective interest rate of 4.35% per annum. This loan had been fully repaid in 2018. For a more detailed discussion of our historical financial performance, see "Financial Information."

Non-IFRS Measures: Adjusted Net Profit

Adjusted net profit, as we present it, represents profit and total comprehensive income for the period before one-time charity donations and listing expenses. Adjusted net profit is not a standard measure under IFRSs. We believe that adjusted net profit helps identify underlying trends in our business that could otherwise be distorted by the effect of the expenses that we include in income from operations and net profit through eliminating potential impacts of items that our management does not consider to be indicative of our operating performance, such as certain impacts of our one-time charity donations, which we made during the COVID-19 pandemic period, and listing expenses. We believe that adjusted net profit provides useful information about our operating results, enhance the overall understanding of our past performance and future prospects and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

While adjusted net profit provides an additional financial measure for investors to assess our operating performance, the use of adjusted net profit has certain limitations because it does not reflect all items of income and expense that affect our operations. The item that is adjusted for may continue to be incurred and should be considered in the overall understanding and assessment of our results.

As a measure of our operating performance, we believe that the most directly comparable IFRSs measure to adjusted net profit is profit for the year or period. The following table reconciles profit for the year or period under IFRSs to adjusted net profit for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit and total comprehensive income for the period	170,175	177,035	184,360	174,669	214,909
Adjustments for:					
One-time charity donations	–	–	–	–	18,454
Listing expenses	–	11,421	13,300	10,260	8,262
Adjusted net profit	**170,175**	**188,456**	**197,660**	**184,929**	**241,625**

Summary of Consolidated Statements of Financial Position

	As of December 31,			As of September 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total current assets	1,078,459	862,361	1,034,632	980,086
Total non-current assets	132,054	150,144	191,246	205,003
Total assets	**1,210,513**	**1,012,505**	**1,225,878**	**1,185,089**
Total current liabilities	861,908	883,901	1,205,068	947,016
Total non-current liabilities	5,618	2,833	6,880	5,550
Total liabilities	**867,526**	**886,734**	**1,211,948**	**952,566**
Net current assets (liabilities)	**216,551**	**(21,540)**	**(170,436)**	**33,070**
Non-controlling interests	–	–	696	3,338
Total equity[(1)]	**342,987**	**125,771**	**13,930**	**232,523**
Total equity and liabilities	**1,210,513**	**1,012,505**	**1,225,878**	**1,185,089**

Note:

(1) The decrease in the total equity during the Track Record Period is related to the Reorganization and dividends declared. For details, please refer to "Financial Information – Analysis of Selected Consolidated Statements of Financial Position Items – Equity".

We recorded net current liabilities of RMB21.5 million and RMB170.4 million as of December 31, 2018 and 2019, respectively, primarily because of the increases in our amounts due to shareholder as a result of the Reorganization. In 2018 and 2019, we declared dividends of RMB423.6 million and RMB216.7 million, respectively, to the shareholders of Anfu Cheerwin, Cheerwin Biotechnology and Panyu Cheerwin. For a detailed discussion of our net current assets and liabilities positions, please see "Financial Information – Current Assets and Liabilities." We have gradually settled the amounts due to shareholders as a result of the dividend declaration since

June 30, 2020 and such amounts were fully settled by October 20, 2020. Hence, we have significantly improved our liquidity position and achieved current asset position of RMB45.5 million as of December 31, 2020 and we believe that our working capital and liquidity position will continue to improve going forward.

Summary Consolidated Cash Flow Statements

The following table sets forth a summary of our consolidated cash flow statements for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Operating cash flows before movements in working capital	233,469	238,689	241,124	224,464	296,359
Movements in working capital	415,143	(270,681)	298,070	(96,167)	(283,207)
Income tax paid	(73,263)	(81,661)	(66,573)	(60,496)	(41,968)
Net cash from (used in) operating activities	575,349	(113,653)	472,621	67,801	(28,816)
Net cash (used in) from investing activities	(495,092)	401,481	59,785	(112,338)	(349,666)
Net cash (used in) from financing activities	(1,628)	(192,847)	(231,268)	(51,938)	158,112
Net increase in cash and cash equivalents	**78,629**	**94,981**	**301,138**	**(96,475)**	**(220,370)**
Cash and cash equivalents at beginning of the year/period	36,287	114,916	209,897	209,897	511,035
Cash and cash equivalents at end of the year/period	**114,916**	**209,897**	**511,035**	**113,422**	**290,665**

During the Track Record Period, we recorded negative cash flows from operating activities. We recorded negative cash flow from operating activities of approximately RMB113.7 million in 2018, which was mainly attributable to (i) a decrease in amounts due to related parties of RMB164.8 million as we made payments for service fees in 2018 and gradually settled our amounts due to the related parties during the course of Reorganization; and (ii) some of our distributors made pre-orders and paid cash advances earlier at the end of 2017 in anticipation of our product upgrades and price raise in 2018, resulting in a decrease in advances received by us. We recorded negative cash flow from operating activities of approximately RMB28.8 million for the nine months ended September 30, 2020, which was mainly attributable to a decrease in contract liabilities of RMB354.6 million as a result of the seasonal concentration of customer prepayments in the first and fourth quarters of a year and the corresponding decrease of contract liabilities as we gradually fulfill the prepaid orders during the year. The above factors leading to cash outflows are either in connection with our Reorganization or normal seasonal fluctuation in our business operations in nature. Moreover, we expect the relevant impact to be offset by the strong sales in late 2020, in particular, by the cash inflow from major online shopping holidays, such as Singles' Day on November 11. We therefore expect to generate positive cash flow from our operating activities going forward as our business continues to grow. To improve our negative operating cash flow and net current liabilities position, we intend to implement the following liquidity management policies, including (i) prepare cash flows budgets and perform variance analyses on a monthly basis; (ii) monitor our liquidity position to ensure we have sufficient funds to meet obligations when they become due; and (iii) implement a budgeting and forecasting process. Our accounting manager will be responsible for preparing monthly cash flow forecast reports and our Directors will be responsible for reviewing the actual and budget variance analysis on a monthly basis for monitoring the cash inflow and outflow. In addition, we intend to further improve profitability, control operating costs and contain capital expenditures in order to improve our operating performance and alleviate liquidity risks.

Our Directors are of the view that we will have sufficient working capital for our operations and expansion plans, given the measures we intend to implement and taking into account our cash and cash equivalents on hand, our available bank facilities and the net proceeds from the Global Offering. As of December 31, 2020, we had cash and cash equivalents of RMB884.8 million. For details, please see "Financial Information – Liquidity and Capital Resources."

MAJOR FINANCIAL RATIOS

The following table sets forth a summary of our major financial ratios as of the dates or for the periods indicated.

	For the year ended/ As of December 31,			For the nine months ended/ As of September 30, 2020[5]
	2017	2018	2019	
Profitability:				
Gross margin	35.9%	37.2%	43.4%	42.9%
Net profit margin	12.6%	13.1%	13.3%	14.7%
Non-IFRS Measure:				
Adjusted net profit margin	12.6%	14.0%	14.3%	16.5%
Rates of return:				
Return on assets[1]	14.1%	17.5%	15.0%	18.1%
Liquidity:				
Gearing ratio[2]	2.2%	3.5%	72.5%	132.3%
Current ratio (time)[3]	1.3	1.0	0.9	1.0
Quick ratio (time)[4]	0.8	0.4	0.5	0.9

Notes:

(1) Return on assets ratio is calculated using net profit divided by total assets at the end of the period, multiplied by 100%.

(2) Gearing ratio is calculated using total interest bearing debt (including lease liabilities and bank borrowings) divided by total equity, multiplied by 100%.

(3) Current ratio is calculated using total current assets divided by total current liabilities.

(4) Quick ratio is calculated using total current assets less inventory divided by total current liabilities.

(5) Rates of return for the nine months ended September 30, 2020 are not annualized.

The gearing ratio increased from 2.2% as of December 31, 2017 to 3.5% as of December 31, 2018 and further increased to 72.5% as of December 31, 2019, primarily due to the decrease in capital reserve after the Reorganization. The gearing ratio increased to 132.3% as of September 30, 2020 primarily due to the bank borrowing of RMB300.0 million as of September 30, 2020, which was nil as of December 31, 2019. We drew down a short-term bank borrowing of RMB300.0 million in the first nine months of 2020. This loan is unsecured and repayable in one year with an interest rate of 2.05% per annum. The loan is outstanding as of the Latest Practicable Date. Our Directors are of the view that the repayment of the short-term bank borrowings of RMB300 million will not affect our working capital sufficiency. Based on our Directors' estimates, cash outflow from such repayment, which is scheduled to take place in 2021, will be primarily offset by an anticipated increase in net cash from operating activities in 2021 as our business continues to grow. In addition, as of December 31, 2020, the aggregate amount of unutilized banking facilities was RMB300 million. For a detailed discussion of changes in financial ratios, please see "Financial Information – Major Financial Ratios".

PRE-IPO INVESTMENT

Our pre-IPO investor, Mr. Mao Mao (茅矛) ("**Mr. Mao**"), has invested in our Company since May 16, 2019. Immediately following the completion of the Global Offering (assuming that the Over-allotment option is not exercised). Mr. Mao will be interested in 10,000,000 Shares through Bestart BVI, representing approximately 0.75% of the issued share capital of the Company. For further details, please refer to the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investment" in this prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (without taking into account of any Shares which may be allotted and issued pursuant to the Over-allotment Option), Mr. KX Chen and Mr. KC Chen, who are brothers, and their respective spouse, Ms. Li and Ms. Ma, will hold 6.5%, 3.5%, 58.5% and 31.5%, respectively, of Cheerwin Global BVI, their investment holding company, which will in turn own approximately 74.25% of our issued share capital. Pursuant to the Stock Exchange's Guidance Letter GL89-16, Mr. KX Chen, Mr. KC Chen, Ms. Li, Ms. Ma and Cheerwin Global BVI are presumed to be a group of controlling shareholders by virtue of their holdings through a common investment vehicle as well as their spousal relationships. Mr. KX Chen, Mr. KC Chen, Ms. Li and Ms. Ma have also entered into the Concert Parties Arrangement, pursuant to which they confirmed their agreement to act in concert in relation to the exercise of their voting rights at the meetings of the shareholders and the board of directors of the members of our Group.

RELATIONSHIP WITH LIBY GROUP

Our Controlling Shareholders also have interests in a number of other business segments, which include consumer products, health food products, property investment, asset management and financial services. Our Controlling Shareholders' interests in the consumer segment are in certain fabric care, dish care and personal care product categories. For further details of the retained business of our Controlling Shareholders, please refer to the section headed "Relationship with Our Controlling Shareholders – Delineation of Business". Saved as disclosed in this prospectus, none of our Controlling Shareholders is interested in any business which is, whether directly or indirectly in competition with our business. In addition, we have conducted sales through Liby Group, which is a group of companies controlled and owned by Mr. KX Chen and Mr. KC Chen, our Controlling Shareholders, and outsourced some of our products to Liby Group for production during the Track Record Period. For further details, please refer to the section headed "Relationship with Our Controlling Shareholders – Independence from our Controlling Shareholders".

Some of our offline distributors have obtained financing from Baokai Daorong during the Track Record Period, an associate of our Controlling Shareholders which is primarily engaged in the business of providing financing services that cover various industries including petrochemical. All outstanding amount due to Baokai Daorong from our distributors have been repaid as at the Latest Practicable Date. Please refer to the section headed "Business – Omni-Channel Sales Network – Management of Our Sales and Distribution Network – Relationships with Distributors".

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the date of this Prospectus, benefiting from the continuous implementation of our development strategies as well as from the recovery of overall economic activities, our business operations remained stable and continued to grow steadily. Set forth below are recent developments on our financial condition after September 30, 2020, which is the end of the Track Record Period, prepared based on the unaudited consolidated financial information of the Group for the relevant period:

- Our total revenue for the three months ended December 31, 2020 is expected to be lower as compared to the revenue for the previous quarters of 2020, which is in line with our seasonal fluctuation and our sales are generally stronger in the first half of a year; and

- Our net profit for the three months ended December 31, 2020 is also expected to be lower as compared to the net profit for the previous quarters of 2020, mainly due to (i) lower revenue resulting from the seasonal fluctuation; (ii) increase in branding, marketing and e-commerce channel promotional expenses incurred in the fourth quarter in preparation for the online shopping campaigns; (iii) higher wages and salary expenses as we increased our budget for the year-end bonus to our staff in the fourth quarter based on our annual sales performance; (iv) higher travel expense as we conducted more sales conferences and order-placement meetings with our distributors in the fourth quarter to prepare for the peak sales season in the first and the second quarters of the next year.

For more details about our recent development on our financial condition, please refer to "– Profit Estimate for the Year Ended December 31, 2020" and "Appendix IIB – Profit Estimate" to this prospectus. Save as discussed above, our Directors confirm that, as of the date of this Prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since September 30, 2020, the end of the period reported on in the Accountants' Report set out in Appendix I to this Prospectus.

COVID-19 Outbreak

Toward the end of 2019, a highly infectious novel coronavirus was reported. The World Health Organization, or the WHO, later named it COVID-19. In March 2020, the WHO characterized the outbreak of COVID-19 a pandemic. As of the date of this Prospectus, the COVID-19 pandemic has spread globally which has materially and adversely affected the global economy. The retail industry was affected to various degrees.

Due to the COVID-19 outbreak and the government's relevant control measures, most of our production lines experienced a temporary delay to resuming operations after the public holidays for the Chinese New Year since January 21, 2020. Production of our disinfectant products quickly relaunched since January 29, 2020, which are anti-epidemic supplies and we were designated as a National Key Epidemic Prevention Enterprise certified by the Ministry of Industry and Information Technology. Such key enterprise for combating and preventing pandemic were allowed to resume operations from an earlier date than other enterprises. With respect to remaining products, production was temporarily suspended till late February 2020 for a relatively short period of time ranging from 21 to 30 days. We had fully resumed our production as of February 21, 2020. In addition, except for a temporary shortage and increase in prices of raw materials mainly for the production of disinfectant and antibacterial products we experienced in February to March 2020, our production costs since the full relaunch have generally been normalized to the same level as in the period immediately prior to the production suspension in January 2020.

With respect to disinfectant and antibacterial products for which we had transitioned the "make-to-order" model since 2019, in anticipation of the upcoming anti-epidemic measures, including the suspension of production, we reallocated resources and scheduled production in advance in early 2020 based on our estimates of purchase orders. With respect to the remaining products for which we had not adopted the "make-to-order" model, we generally maintain the inventory level of products that can support at least one-month of sales. In addition, as it was approaching to the Chinese New Year holidays, we further increased the inventories which is our common practice. As a result, our sales were not materially interrupted by the temporary suspension of our production due to the COVID-19 outbreak.

Moreover, subject to various travel restrictions imposed by local governments in an effort to curb the spread of the COVID-19 pandemic, logistic services to delivery our products to customers were temporarily compromised in February and March 2020, especially in cities of Wuhan, Siping, Urumqi and Ma'anshan. In addition, the delivery of raw materials from our suppliers to us was also adversely affected during such period. Due to the COVID-19 outbreak, we encountered a temporary shortage and increase in prices of raw materials mainly for the production of disinfectant and antibacterial products. Nevertheless, we were able to identify additional suppliers in a timely manner. By the end of March 2020, the supply and prices of our raw materials had been normalized. The logistic services had generally been resumed to normal by the end of the second quarter of 2020. We have implemented health screening procedures for all entrants of our premises.

We donated disinfectants and relevant anti-epidemic products to the Red Cross Society of China in early 2020. In addition, we incurred insignificant anti-pandemic related expenses, mainly in connection with the purchases of medical and safety supplies for our employees after our production resumed in February 2020. We believe such expenses was one-off and insignificant and other than these, we did not incur other material anti-pandemic expenses during the COVID-19.

In line with PRC government guidelines, we have implemented various precautionary measures to maintain a hygienic working environment. We have assembled a pandemic emergency team that is responsible for closely tracking the health status of our employees. In addition, we quickly established a face mask production line to provide our employees a sufficient supply of free face masks. We also provide personal disinfectant products such as hand sanitizers to our employees. Furthermore, our premises are regularly cleaned every day.

Given the facts that our production and sales during the COVID-19 outbreak were not materially adversely affected and our business operations have been fully resumed since February 2020, our Directors are of the view that the COVID-19 outbreak will have limited adverse impact on our overall operations and financial performance for the year ending December 31, 2020.

Please refer to the section headed "Business – Impact of COVID-19 on our Business" for more details.

As the COVID-19 pandemic continues to spread globally, China's economy may, as a result, be adversely affected though the COVID-19 pandemic has reported to be effectively controlled in China. In the very unlikely event that we are forced to reduce or suspend a substantial part of our business operations due to the COVID-19 pandemic, based on our current operating and financial performance as well as our estimates of the market conditions, we estimate that in the worst case scenario, we would have sufficient cashflow for our business to remain financially viable for at least 72 months from January 2021. Key assumptions for the above include:

- we cease all operations from December 2020 onward, which assumes that from this month onward, we will not earn or incur (a) any revenue and costs in relation to sales activities, (b) any expenses in relation to marketing activities, (c) any expenses in relation to the production of products, and (d) expenses in relation to R&D activities; accordingly, the corresponding tax payments shall also be reduced;
- keep all of our employees and make all their salaries payments;
- make the lease payments;
- make the payments for existing purchases plans for long-term assets;
- our payables and borrowings will continue to be settled when they become due;
- estimate the settlement of trade receivables on a prudent basis by taking into account our historical settlement patterns;
- receive and use our currently unutilized and unrestricted banking facilities when needed;
- receive RMB221.3 million, or HK$266.4 million, representing the 10% of the net proceeds from the Global Offering, and utilize as our working capital and general corporate purpose;
- no additional external financing will be provided during the forecast period; and
- there will be no material changes in the near future that would significantly affect the above-mentioned key assumptions.

The above-mentioned analysis is for illustrative purpose only and our Directors currently assess that the likelihood of such situation is remote. The actual impact from the COVID-19 pandemic will depend on its subsequent development which is uncertain at current stage, and its impact on our Group may be out of our control and beyond our estimate and assessment.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2020

Our Directors estimate that, in the absence of unforeseeable circumstances and on the bases set out in "Appendix IIB – Profit Estimate" to this prospectus, the estimated consolidated profit attributable to our owners is as follows:

Estimated consolidated profit attributable to our owners for the year ended December 31, 2020[(1)]	Not less than RMB210.0 million
Unaudited pro forma estimated earnings per Share for the year ended December 31, 2020[(2)]	Not less than RMB15.82 cents

Notes:

1. The bases on which the above estimate for the year ended December 31, 2020 has been prepared are summarised in Appendix IIB to this prospectus. The estimated consolidated profit attributable to our owners for the year ended December 31, 2020 is based on our audited consolidated results for the nine months ended September 30, 2020 and the unaudited consolidated results based on our management accounts for the three months ended December 31, 2020.

2. The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to our owners for the year ended December 31, 2020 taking into account the number of shares that are outstanding during the year ended December 31, 2020 and on the assumption that the Reorganisation, Share Subdivision and Global Offering had been completed on January 1, 2020, resulted in a weighted average of 1,327,641,332 Shares for the year ended December 31, 2020. The calculation of the estimated earnings per Share does not take into account of any shares which may be allotted and issued pursuant to the exercise of Over-allotment Option or any shares which may be issued or repurchased by us pursuant to our general mandates.

LISTING EXPENSES INCURRED AND TO BE INCURRED

Our aggregate listing expenses incurred and to be incurred amount to RMB140.8 million (assuming that the Global Offering is conducted at the mid-point of the Offer Price range and the Over-allotment Option is not exercised), accounting for 6% of the gross proceeds from the Global Offering. In 2017, 2018 and 2019, we incurred listing expenses of approximately RMB33.0 million, of which RMB24.8 million was recognized as listing expenses, and RMB8.2 million was accounted for as deferred issue costs. In the nine months ended September 30, 2020, we incurred listing expenses of approximately RMB11.0 million, of which RMB8.3 million was recognized as listing expenses and RMB2.7 million will be capitalized. We expect to incur additional listing expenses of approximately RMB96.8 million after September 30, 2020 (assuming that the Global Offering is conducted at the mid-point of the Offer Price range), of which RMB12.4 million is expected to be recognized as listing expenses and RMB84.4 million is expected to be capitalized. Our Directors do not expect such expenses to have a material adverse impact on our financial results in 2020.

OFFERING STATISTICS

Offer size:	Initially 25% of the enlarged issued share capital of our Company
Offering structure:	Initially 10% for the Hong Kong Public Offering (subject to adjustment) and 90% for the International Offering (subject to adjustment and the Over-allotment Option)
Over-allotment Option:	Up to 15% of the number of Offer Shares initially available under the Global Offering
Offer Price per Share:	HK$7.80 to HK$9.20 per Offer Share

	Based on an Offer Price of HK$7.80 per Offer Share	**Based on an Offer Price of HK$9.20 per Offer Share**
Our Company's capitalization upon completion of the Global Offering(1)(2)	HK$10,400.0 million	HK$12,266.7 million
Unaudited pro forma adjusted net tangible asset per Share(3)	HK$2.07	HK$2.40

Notes:

(1) All statistics in the table are based on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalization is based on 1,333,333,500 Shares expected to be issued immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(3) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in Appendix IIA "Unaudited Pro Forma Financial Information" and on the basis of 1,333,333,500 Shares are issued and outstanding immediately upon completion of the Global Offering.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$2,663.9 million after deducting estimated underwriting fees and the estimated offering expenses payable by us and based upon an indicative offer price of HK$8.50 per Offer Share (being the mid-point of the indicative Offer Price range) for both Hong Kong Public Offering and International Offering, and assuming the Over-allotment Option is not exercised, or HK$3,072.9 million if the Over-allotment Option is exercised in full.

We plan to use the net proceeds we will receive from the Global Offering to facilitate the implementation of our strategies:

- approximately HK$532.8 million, representing approximately 20% of the net proceeds from the Global Offering, is expected to be used to enhance our research and development capabilities, including research and development of new products, upgrade of existing products, development of new brands and categories. We also intend to deepen our presence in the pet care and personal care industries and facilitate the construction of relevant research and development centers. Further, we plan to recruit additional experienced and talented personnel for our research and development team;

- approximately HK$532.8 million, representing approximately 20% of the net proceeds from the Global Offering, is expected to be used to enhance our sales and distribution network;

- approximately HK$399.6 million, representing approximately 15% of the net proceeds from the Global Offering, is expected to be used for marketing activities to enhance branding and products promotion;

- approximately HK$266.4 million, representing approximately 10% of the net proceeds from the Global Offering, is expected to be used to improve the efficiency and flexibility of our global and domestic supply chain;

- approximately HK$266.4 million, representing approximately 10% of the net proceeds from the Global Offering, is expected to be used to implement our digitalization strategy, enhance information technology infrastructure, and further develop our technology and data driven middle-office for our supply chain management, consumer community and proprietary platform operation and distribution channel management to improve operating efficiency;

- approximately HK$399.6 million, representing approximately 15% of the net proceeds from the Global Offering, is expected to be used for strategic acquisitions of upstream and downstream businesses to acquire external high-quality, complementary technologies, brands and businesses; and

- approximately HK$266.4 million, representing approximately 10% of the net proceeds from the Global Offering, is expected to be used for working capital and other general corporate purposes.

For further details, please see "Future Plans and Use of Proceeds."

DIVIDENDS AND DIVIDEND POLICY

Pursuant to relevant PRC laws and regulations applicable to us, we are required to set aside a certain amount of our accumulated after tax profits each year, if any, to fund statutory reserves. Dividends may be paid only out of distributable profits, which are our retained earnings as determined in accordance with PRC accounting principles, which may differ from generally accepted accounting principles in other jurisdictions, including HKFRSs and IFRS, less the above mentioned statutory reserves and any discretionary surplus reserves.

Our subsidiaries declared dividends of RMB100.0 million, RMB423.6 million, RMB216.7 million and nil to our Shareholders in 2017, 2018, 2019 and the nine months ended September 30, 2020, respectively. Our dividends payable were fully settled by December 31, 2020. After the Track Record Period and up to the date of this Prospectus, we did not declare any dividends to our Shareholders. We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year.

We may distribute dividends by way of cash or by other means that our Board considers appropriate. Distribution of dividends is subject to the discretion of our Board and, if necessary, the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that our Board may deem relevant. Subject to the Companies Act and other applicable laws and regulations, our dividend policy is to distribute to our Shareholders no less than 25% of our distributable profits for any particular year after the Listing. We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Accountants' Report"	the accountants' report from Deloitte Touche Tohmatsu, the reporting accountants of our Company, the text of which is set out in Appendix I to this prospectus
"Anfu Cheerwin"	Anfu Cheerwin Rihua Limited Company (安福超威日化有限公司), a limited liability company established in the PRC on July 11, 2006, and an indirect wholly-owned subsidiary of our Company
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them
"Articles" or "Articles of Association"	the Articles of Association of our Company conditionally adopted on February 19, 2021 with effect from the Listing Date, a summary of which is set out in Appendix III to this prospectus
"Baokai Daorong"	Shanghai Yungaorun Supply Chain Management Company Limited (上海運高潤供應鏈管理有限公司) (formerly known as Shanghai BKDR Commercial Factoring Company Limited (上海寶凱道融商業保理有限公司)) and Guangzhou BKDR Commercial Factoring Company Limited (廣州寶凱道融商業保理有限公司); the former is a limited liability company established in the PRC on November 3, 2014 and the latter is a limited liability company established in the PRC on February 12, 2018, both wholly-owned and controlled by our Controlling Shareholders
"Bestart BVI"	Bestart International Holdings Company Limited (百思達國際控股有限公司), a company incorporated in the BVI with limited liability on December 13, 2018, our shareholder
"Board" or "Board of Directors"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands

"Cayman Companies Act" or "Companies Act"	the Companies Act, Cap.22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Cheerwin Biotechnology"	Guangzhou Cheerwin Biotechnology Company Limited (廣州超威生物科技有限公司), a limited liability company established in the PRC on December 17, 2010, and an indirect wholly-owned subsidiary of our Company
"Cheerwin Business Division"	a business division operating under the Liby Group prior to the Reorganization
"Cheerwin Global BVI"	Cheerwin Global Limited (朝雲環球有限公司), a limited liability company incorporated in the BVI on March 27, 2018, and one of our Controlling Shareholders
"Cheerwin Global HK"	Cheerwin Global Limited, a limited liability company incorporated in Hong Kong on April 13, 2018, and an indirect wholly-owned subsidiary of our Company
"Cheerwin Group BVI"	Cheerwin Group Limited (朝雲集團有限公司), a limited liability company incorporated in the BVI on March 27, 2018, and a direct wholly-owned subsidiary of our Company
"Cheerwin Group HK"	Cheerwin Group (Hong Kong) Limited (朝雲集團(香港)有限公司), a limited liability company incorporated in Hong Kong on April 13, 2018 as Cheerwin Group Limited (朝雲集團有限公司) and renamed as Cheerwin Group (Hong Kong) Limited (朝雲集團(香港)有限公司) on September 7, 2020, and an indirect wholly-owned subsidiary of our Company

"Chengdu Liby"	Chengdu Liby Shiye Company Limited (成都立白實業有限公司), a limited liability company established in the PRC on December 8, 2000, and is directly held as to 65.0% and 35.0% by Mr. KX Chen and Mr. KC Chen, our Controlling Shareholders, respectively
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"CIC"	China Insights Industry Consultancy Limited, our industry consultant
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company" or "our Company"	Cheerwin Group Limited (朝雲集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on April 11, 2018, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
"Concert Parties Arrangement"	the letter of confirmation and undertaking dated August 28, 2020 executed by Mr. KX Chen, Mr. KC Chen, Ms. Li and Ms. Ma in relation to their concert parties arrangement, details of which are set out in the section headed "Relationship with Our Controlling Shareholders" in this prospectus
"Controlling Shareholders"	has the meaning ascribed to the Listing Rules, and unless the context otherwise requires, refers to Mr. KX Chen, Mr. KC Chen, Ms. Li, Ms. Ma and Cheerwin Global BVI
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)

"Deed of Indemnity"	the deed of indemnity dated February 19, 2021 and entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee for its subsidiaries), further information of which is set out in the section headed "Statutory and General Information – D. Other Information – 1. Estate Duty and Tax Indemnity" in Appendix IV to this prospectus
"Director(s)"	the director(s) of our Company
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
"GDP"	Gross Domestic Product
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business of the Cheerwin Business Division and/or operated by such subsidiaries or their predecessors (as the case may be)
"Guangdong Liby Washing"	Guangdong Liby Washing Products Company Limited (廣東立白洗滌用品有限公司), a limited liability company established in the PRC on October 31, 1997, and is directly held as to 65.0% and 35.0% by Mr. KX Chen and Mr. KC Chen, our Controlling Shareholders, respectively

"Guangzhou Cheerwin"	Guangzhou Cheerwin Holding Company Limited (廣州朝雲控股有限公司), a limited liability company established in the PRC on October 19, 2018, and an indirect wholly-owned subsidiary of our Company
"Guangzhou Liby"	Guangzhou Liby Group Company Limited (廣州立白企業集團有限公司), a limited liability company established in the PRC on February 25, 1998, and is directly held as to 34.76% and 64.56% by Mr. KC Chen and Mr. KX Chen, our Controlling Shareholders, respectively and is indirectly held as to 0.67% by Mr. KC Chen and Mr. KX Chen through Guangdong Liby Washing, Shanghai Liby and Chengdu Liby
"Guangzhou Tongli"	Guangzhou Tongli Daily Supplies Company Limited (廣州通力日用品有限公司), a limited liability company established in the PRC on December 3, 1992, and an indirect wholly-owned subsidiary of our Company
"Guangzhou Wonderland"	Guangzhou Wonderland Brand Management Company Limited (廣州壹樂源品牌管理有限公司), a limited liability company established in the PRC on August 24, 2017, and is indirectly held as to 65.0% and 35.0% by Mr. KX Chen and Mr. KC Chen, our Controlling Shareholder, respectively, through an intermediate holding company
"Guangzhou Yuncheng"	Guangzhou Yuncheng Network Technology Company Limited (廣州雲成網絡科技有限公司), a limited liability company established in the PRC on February 6, 2018 as Guangzhou Lechong Pet Supplies Company Limited (廣州樂寵寵物用品有限公司) and renamed as Guangzhou Yuncheng Network Technology Company Limited (廣州雲成網絡科技有限公司) on August 31, 2020, and an indirect wholly-owned subsidiary of our Company
"Guangzhou Yuntuo"	Guangzhou Yuntuo E-commerce Company Limited (廣州雲拓電子商務有限公司), a limited liability company established in the PRC on November 14, 2018, and an indirect wholly-owned subsidiary of our Company
"HK$" or "Hong Kong dollars" or "HK dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

"HKFRS"	Hong Kong Financial Reporting Standards, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 33,334,000 Shares being initially offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated February 24, 2021, relating to the Hong Kong Public Offering and entered into by, among others, the Joint Global Coordinators, the Hong Kong Underwriters and our Company as further described in the section headed "Underwriting – Underwriting Arrangements and Expenses" in this prospectus
"IFRS"	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board

"independent third party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the Listing Rules
"Industry Report"	the industry report issued by China Insights Industry Consultancy Limited, the industry consultant
"International Offer Shares"	the 299,999,500 Shares being initially offered in the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, subject to adjustments as described in the section headed "Structure of the Global Offering" in this prospectus
"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the Joint Global Coordinators, the International Underwriters and our Company on or about Wednesday, March 3, 2021, as further described in the section headed "Underwriting – The International Offering" in this prospectus
"Joint Bookrunners"	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only) and China International Capital Corporation Hong Kong Securities Limited
"Joint Lead Managers"	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only), China International Capital Corporation Hong Kong Securities Limited and Futu Securities International (Hong Kong) Limited

"Joint Global Coordinators"	Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited
"Joint Sponsors"	Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited
"Kysun Holdings"	Kysun Holdings (China) Company Limited (凱晟控股(中國)有限公司), a limited liability company established in the PRC on December 8, 2016, in which Mr. KX Chen and Mr. KC Chen are interested in more than 30% shareholding
"Latest Practicable Date"	February 17, 2021, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Leda Automobile"	Guangzhou Leda Automobile Supplies Company Limited (廣州樂達汽車用品有限公司), a limited liability company established in the PRC on February 5, 2018, and an indirect wholly-owned subsidiary of our Company
"Liby Group"	Guangzhou Liby and its subsidiaries and/or its associated companies which are controlled and owned by Mr. KX Chen and Mr. KC Chen
"Liby Rihua"	Liby Rihua Company Limited (立白日化有限公司), a limited liability company established in the PRC on December 26, 2001, and is directly held as to 92.4% by Mr. KX Chen and Mr. KC Chen and is indirectly held as to 7.4% by Mr. KX Chen and Mr. KC Chen through various intermediate holding companies
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Wednesday, March 10, 2021, on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"M&A Rules"	the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) jointly issued by MOFCOM, SASAC, SAT, CSRC, SAIC and SAFE on August 8, 2006, effective on September 8, 2006 and further amended on June 22, 2009 by the MOFCOM
"Maanshan Liby"	Maanshan Liby Rihua Company Limited (馬鞍山立白日化有限公司), a limited liability company established in the PRC on December 14, 2006, and is directly held as to 26.0% and 14.0% by Mr. KX Chen and Mr. KC Chen, respectively and is indirectly held as to 60% by Ms. Ma and Ms. Li through an intermediate holding company
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Megahive Media"	Guangzhou Megahive Media Company Limited (廣州蜂群傳媒有限公司), a limited liability company established in the PRC on July 5, 2016, and is indirectly held as to 90% by two of our Controlling Shareholders, Mr. KX Chen and Mr. KC Chen, and directly held as to 10% by Mr. Chen Zhansheng (陳展生), son of Mr. KC Chen
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company adopted on February 19, 2021 a summary of which is set out in Appendix III to this prospectus
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. KC Chen"	Mr. Chen Kaichen (陳凱臣), one of our Founders and Controlling Shareholders

"Mr. KX Chen"	Mr. Chen Kaixuan (陳凱旋), one of our Founders and Controlling Shareholders
"Ms. Li"	Ms. Li Ruohong (李若虹), the wife of Mr. KX Chen and one of our Controlling Shareholders
"Ms. Ma"	Ms. Ma Huizhen (馬惠真), the wife of Mr. KC Chen and one of our Controlling Shareholders
"Nanjing Liby"	Nanjing Liby Rihua Company Limited (南京立白日化有限公司), a limited liability company established in the PRC on March 27, 2006, and is directly held as to 65.0% and 35.0% by Mr. KX Chen and Mr. KC Chen, our Controlling Shareholders, respectively
"NDRC"	National Development and Reform Commission (中華人民共和國發展和改革委員會)
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$9.20 and expected to be not less than HK$7.80, at which Hong Kong Offer Shares are to be subscribed and to be determined in the manner further described in the section headed "Structure of the Global Offering – Pricing and Allocation" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 50,000,000 additional Shares (representing 15% of the number of Offer Shares initially available under the Global Offering) at the Offer Price to, cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering" in this Prospectus

"Panyu Cheerwin"	Guangzhou Cheerwin Household Chemicals Company Limited (廣州超威日用化學用品有限公司), a limited liability company established in the PRC on July 26, 2011, and an indirect wholly-owned subsidiary of our Company
"Panyu Liby"	Guangzhou Liby (Panyu) Company Limited (廣州立白(番禺)有限公司), a limited liability company established in the PRC on August 24, 1997, and ultimately owned by our Controlling Shareholders, Mr. KX Chen, Mr. KC Chen, Ms. Ma and Ms. Li through various intermediate holding companies
"PBOC"	People's Bank of China (中國人民銀行)
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Legal Advisers"	Commerce & Finance Law Offices, the legal advisers to our Company as to the laws of the PRC
"Price Determination Agreement"	the agreement to be entered into by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about Wednesday, March 3, 2021, on which the Offer Price will be determined, or such later time as the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and our Company may agree, but in any event, not later than Monday, March 8, 2021
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act

"Reorganization"	the reorganization of the Group in preparation of the Listing, details of which are set out in the section headed "History, Reorganization and Corporate Structure" in this prospectus
"RMB"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"Sales Framework Agreement"	a sales framework agreement dated February 19, 2021 entered into with Liby Group, the terms of which are set out under section headed "Connected Transactions – Non-exempt Continuing Connected Transaction – 1. Sales Framework Agreement with Liby Group" in this prospectus
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SAFE Circular 37"	the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-trip Investments by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE with effect from July 4, 2014
"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	State Administration of Taxation of the People's Republic of China (中華人民共和國國家税務總局)
"SCNPC"	the Standing Committee of the National People's Congress (全國人民代表大會常務委員會)
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai Cheerwin"	Shanghai Cheerwin Biotechnology Company Limited (上海朝雲生物科技有限公司), a limited liability company established in the PRC on July 29, 2019, and an indirect wholly-owned subsidiary of our Company
"Shanghai Cogi"	Shanghai New COGI Cosmetic Co., Ltd. (上海新高姿化妝品有限公司), a limited liability company established in the PRC on August 2, 2006, and is directly held as to 65.0% and 35.0% by Mr. KX Chen and Mr. KC Chen, our Controlling Shareholders, respectively
"Shanghai Liby"	Shanghai Liby Shiye Company Limited (上海立白實業有限公司), a limited liability company established in the PRC on August 9, 2002, and is directly held as to 65.0% and 35.0% by Mr. KX Chen and Mr. KC Chen, our Controlling Shareholders, respectively
"Shanghai Runzhisu"	Shanghai Runzhisu Biotechnology Company Limited (上海潤之素生物科技有限公司), a limited liability company established in the PRC on November 19, 2018, and an indirect wholly-owned subsidiary of our Company
"Shareholder(s)"	holder(s) of Shares
"Shares"	ordinary shares in the capital of our Company with a nominal value of US$0.0000002 each
"Sichuan Liby"	Sichuan Liby Rihua Company Limited (四川立白日化有限公司), a limited liability company established in the PRC on December 17, 2007, and is directly held as to 65.0% and 35.0% by Mr. KX Chen and Mr. KC Chen, our Controlling Shareholders, respectively
"Siping Liby"	Siping Liby Rihua Company Limited (四平立白日化有限公司), a limited liability company established in the PRC on September 14, 1994, and is directly held as to 57.26%, 30.83% and 11.91% by Mr. KX Chen and Mr. KC Chen, our Controlling Shareholders and Guangzhou Liby, respectively
"Stabilizing Manager"	Morgan Stanley Asia Limited

"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Stabilizing Manager (or its affiliates or any person acting for it) and Cheerwin Global BVI on or around the Price Determination Date
"State Council"	the PRC State Council (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Tianjin Liby Sales"	Tianjin Liby Product Sales Company Limited (天津立白日用品銷售有限公司), a limited liability company established in the PRC on November 7, 2006, and is directly held as to 35% by Mr. KC Chen, our Controlling Shareholder
"Tianjin Liby Rihua"	Tianjin Liby Rihua Company Limited (天津立白日化有限公司), a limited liability company established in the PRC on December 20, 2006, and is directly held as to 26.25% by Mr. KC Chen and is indirectly held as to 25% by Ms. Ma and Ms. Li through an intermediate holding company
"Track Record Period"	the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency for the time being of the United States
"VAT"	value-added tax; all amounts are exclusive of VAT in this prospectus except where indicated otherwise

"Vietnam Bestwin"	Bestwin Household Products Company Limited, a company incorporated in Vietnam on June 24, 2020, a company held as to 51% by Cheerwin Biotechnology
"WeChat"	the PRC's leading text and voice messaging communication service mobile application on smartphones
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Xinxiang Liby"	Xinxiang Liby Shiye Company Limited (新鄉立白實業有限公司), a limited liability company established in the PRC on July 7, 2005, and is directly held as to 63.25%, 34.06% and 2.69% by two of our Controlling Shareholders, Mr. KX Chen and Mr. KC Chen, and Guangzhou Liby, respectively
"%"	per cent.

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

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into Hong Kong dollars at an exchange rate of RMB0.8306 = HK$1.00, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into Hong Kong dollars or U.S. dollars at such rates or any other exchange rates on such date or any other date.

In this prospectus, the terms "associate(s)", "close associate(s)", "connected person(s)", "connected transaction(s)", "core connected person(s)", "controlling shareholder(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names (as appropriate) shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

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

"**618 Shopping Festival**"	the annual online promotional event held by JD.com
"**CAGR**"	compound annual growth rate
"**COVID-19**"	a viral respiratory disease caused by the severe acute, respiratory syndrome coronavirus 2, which has been declared by World Health Organization as a pandemic on March 11, 2020
"**ESG**"	Environmental, social and corporate governance
"**g**"	gram
"**GFA**"	gross floor area
"**ERP System**"	Enterprise Resources Planning system, a collection of integrated computer applications that share a central database, allowing real-time data sharing within an organization and is used to manage and support the daily operations (such as marketing, production, purchasing, accounting operations) and decision support functions of an organization
"**Icaridin**"	also known as picaridin, is an almost colorless and odorless insect repellent with broad efficacy against various insects which can be used directly on skin or clothing
"**ISO9001**"	an international standard that specifies requirements for a quality management system
"**ISO14001**"	an international standard that specifies requirements for an effective environment management system
"**key account client(s)**" or "**key account(s)**"	customers which makes substantially repeat purchases from a supplier
"**key opinion leader(s)**" or "**KOL(s)**"	person(s) or organization(s) who have expert knowledge and influence in a respective field

"**kg**"	kilogram
"**manufacturer's suggested retail price**"	the price at which a manufacturer recommends that the retailers sell the product, including value-added taxes and excluding discounts offered by retailers
"**ml**"	milliliter
"**Pyrethroid**"	an organic compound similar to the natural pyrethrins, which are produced by the flowers of pyrethrums. Pyrethroids are used as commercial and household insecticides
"**retail sales value**"	a value which is calculated by sales volume multiplied by manufacturer's suggested retail price
"**Singles' Day**"	the online promotional event held by Alibaba Group annually
"**sq.m**"	square meter
"**tier one cities**"	Beijing, Shanghai, Guangzhou and Shenzhen
"**tier two cities**"	Chengdu, Hangzhou, Chongqing, Wuhan, Suzhou (of Jiangsu), Xi'an, Tianjin, Nanjing, Zhengzhou, Changsha, Shenyang, Qingdao, Ningbo, Dongguan, Kunming, Wuxi, Dalian, Xiamen, Hefei, Foshan, Fuzhou, Harbin, Jinan, Wenzhou, Changchun, Shijiazhuang, Changzhou, Quanzhou, Nanning, Guiyang, Nanchang, Nantong, Jinhua, Xuzhou, Taiyuan, Jiaxing, Yantai, Huizhou, Baoding, Taizhou (of Zhejiang), Zhongshan, Shaoxing, Zhuhai, Lanzhou and Langfang
"**tier three cities**"	Weifang, Yangzhou, Haikou, Shantou, Luoyang, Urumqi, Linyi, Tangshan, Zhenjiang, Yancheng, Huzhou, Ganzhou, Taizhou (of Jiangsu), Jining, Hohhot, Xianyang, Zhangzhou, Jieyang, Jiangmen, Guilin, Handan, Wuhu, Sanya, Fuyang, Huai'an, Zunyi, Yinchuan, Hengyang, Shangrao, Liuzhou, Zibo, Putian, Mianyang, Zhanjiang, Shangqiu, Yichang, Cangzhou, Lianyungang, Nanyang, Jiujiang, Xinxiang, Xinyang, Xiangyang, Yueyang, Bengbu, Zhumadian, Chuzhou, Weihai, Suqian, Zhuzhou, Ningde, Xingtai, Chaozhou, Qinhuangdao, Zhaoqing, Jingzhou, Zhoukou, Ma'anshan, Qingyuan, Suzhou (of Anhui), Anshan, Anqing, Heze, Yichun, Huanggang, Tai'an, Nanchong, Lu'an, Daqing and Zhoushan

"**tier four cities**" Changde, Weinan, Xiaogan, Lishui, Yuncheng, Dezhou, Xuchang, Xiangtan, Jingzhong, Anyang, Sanming, Kaifeng, Chenzhou, Maoming, Shaoyang, Deyang, Longyan, Nanping, Huainan, Huangshi, Yingkou, Bozhou, Rizhao, Xining, Quzhou, Dongying, Jilin, Shaoguan, Zaozhuang, Baotou, Huaihua, Xuancheng, Linfen, Liaocheng, Meizhou, Panjin, Jinzhou, Yulin (of Shaanxi), Beihai, Baoji, Fuzhou, Jingdezhen, Yulin (of Guangxi), Shiyan, Shanwei, Xianning, Yibin, Jiaozuo, Pingdingshan, Binzhou, Ji'an, Yongzhou, Yiyang, Qiannan, Dandong, Qujing, Leshan, Qiandongnan, Zhangjiakou, Huangshan, Erdos, Yangjiang, Luzhou, Enshi, Hengshui, Tonglin, Chengde, Honghe, Dali, Datong, Luohe, Huludao, Heyuan, Loudi, Yanbian, Qiqihar, Yan'an, Fushun, Lhasa, Tongren, Changzhi, Dazhou, E'zhou, Xinzhou, Lvliang, Huaibei, Puyang, Meishan, Chizhou, and Jinmen

"**tier five cities**" Hanzhong, Liaoyang, Wuzhou, Yingtan, Baise, Bijie, Qinzhou, Yunfu, Jiamusi, Chaoyang, Guigang, Lijiang, Siping, Neijiang, Liupanshui, Anshun, Sanmenxia, Chifeng, Xinyu, Mudanjiang, Jincheng, Zigong, Benxi, Fangchenggang, Tieling, Suizhou, Guang'an, Guangyuan, Tianshui, Suining, Pingxiang, Xishuangbanna, Suihua, Hebi, Xiangxi, Songyuan, Fuxin, Jiuquan, Zhangjiajie, Qianxinan, Baoshan, Zhaotong, Karamay, Hulunbuir, Hezhou, Tonghua, Yangquan, Hechi, Laibin, Yuxi, Ankang, Tongliao, Dehong, Chuxiong, Shuozhou, Yili, Wenshan, Jiayuguan, Liangshan, Ziyang, Xilingol, Ya'an, Pu'er, Chongzuo, Qingyang, Bayinguolin, Ulanqab, Baishan, Changji, Baicheng, Xing'an, Dingxi, Kashi, Baiyin, Longnan, Zhangye, Shangluo, Heihe, Hami, Wuzhong, Panzhihua, Bayannur, Bazhong, Jixi, Wuhai, Lincang, Haidong, Shuangyashan, Aksu, Shizuishan, Alxa, Haixi, Pingliang, Liaoyuan, Linxia, Tongchuan, Jinchang, Hegang, Yichun, Linzhi, Guyuan, Wuwei, Danzhou, Turpan, Ganzi, Zhongwei, Nujiang, Hotan, Diqing, Gannan, Aba, Daxing'anling, Qitaihe, Shannan, Shigatse, Tacheng, Bortala, Changdu, Altay, Yushu, Hainan, Kizilsu, Ngari, Haibei, Huangnan, Guoluo, Naqu and Sansha

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

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

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

An investment in our Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-looking Statements" in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business depends heavily on the strength of our brands and reputation, and consumers' recognition and their trust in our products may be materially and adversely affected if we fail to maintain and enhance our brands and reputation.

We rely heavily on the strength of our brands and reputation in marketing and selling our products. We believe that our corporate brands and product brands are recognised among consumers for quality and reliability, and these recognitions have allowed us to establish ourselves as a leading one-stop multi-category household care and personal care platform in China, developing and manufacturing a variety of household care, personal care and pet care products. However, our brands and reputation may be harmed by product defects, ineffective customer services, product liability claims, consumer complaints, intellectual property infringement or negative publicity or media reports. Any negative claim against us, even if meritless or unsuccessful, may divert our management's attention and other resources from day-to-day business operation, which may adversely affect our business, results of operations and financial condition. Negative media coverage regarding the safety, price-level or quality of our products, and the resulting negative publicity, may materially and adversely affect the level of consumer recognition of, and trust in, us and our products. In addition, adverse publicity about any regulatory or legal action against us may damage our reputation and brand image, undermine our consumers' confidence in us and reduce long-term demand for our products, even if the regulatory or legal action is unfounded or immaterial to our operations.

We operate in a highly competitive industry. If we are unable to compete effectively with existing or new competitors, our sales, market share and profitability could decline.

We operate in China's household care, personal care and pet care industry and generally face strong competition, based upon factors including brand recognition, quality, price, availability, selection and convenience of products. Some of our competitors, including domestic and international companies, may have greater financial, research and development and other resources than us. We also cannot assure you that our current or potential competitors will not market products comparable or superior to those we provide or adapt more quickly to evolving industry trends or changing market requirements. Our competitors in certain regional markets may also benefit from raw material sources or production facilities that are closer to these markets. It is also possible that there will be consolidation in the household care, personal care and pet care industry, integration of upstream and downstream businesses or alliances among competitors; and as a result, our competitors may rapidly acquire significant market share. Any of these events may cause our market share, business and results of operations to be adversely affected.

Furthermore, competition may cause our competitors to substantially increase their advertising and promotional activities or to engage in irrational or predatory pricing behavior. Our selling and distribution expenses amounted to RMB229.1 million, RMB241.0 million, RMB334.2 million, RMB275.7 million and RMB284.5 million for the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, respectively. We cannot guarantee that our marketing efforts will be sufficient to compete with our competitors. An increase in competition could require us to continue to increase our promotion and advertising expenses, which might place pressure on our margins and affect our profitability. Additionally, competition may result in price reductions, reduced margins and loss of market shares for us, any of which could have an adverse impact on our results of operations. We also cannot assure you that our competitors will not actively engage in activities, whether legal or illegal, designed to undermine our brands and product quality or to influence consumer confidence in our products.

Our business is subject to changes in consumer demand, preferences and spending patterns.

Consumers' willingness to purchase our products may fluctuate as a result of changes in economic conditions, disposable income, technology, lifestyle and publicity of our products or products of our competitors. Additionally, the household care, personal care and pet care industry in China is highly competitive and consumers may be tempted to shift their choices and preferences when new products are introduced by various marketing and pricing campaigns of different brands. Any of these factors or our failure to anticipate, identify or adapt to these changes in a timely manner could result in reduced demand for our products. We may not be able to successfully adapt our business strategy, brand image and product portfolio to changes in market trends or shifts in consumer preferences and spending patterns, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Our efforts in developing, launching and promoting new brands and products, diversifying our brand and product portfolio may not be successful.

We have consistently devoted our efforts to developing new products and exploring innovative technology in order to not only adapt to evolving consumer preferences, but also influence market trends with innovation. In light of the highly competitive and volatile environment, our future growth depends on our ability to continue to introduce new brands, products and packaging. Developing and introducing new products or brands and entry into new product categories involve inherent risks such as those relating to incorrect judgements regarding consumer preferences, market demand and new brand images and pricing. Failure to successfully diversify our products and brands to adapt to the constantly changing consumer preferences and market trends may cause our profit margin to decrease as we will not be able to recoup the associated costs, may jeopardise our competitive advantage and market share, and may result in continued reliance on our existing products and brands. Any of these events could materially and adversely affect our business, financial condition, results of operations and prospects.

Our business operations may be subject to seasonality.

Our results of operations are affected by seasonal fluctuations in demand for our products. We usually experience higher sales volume in the time leading to the Chinese New Year Holidays, as well as around the few major online shopping holidays in China, such as the 618 Shopping Festival on June 18. We typically experience higher sales volumes of household insecticides and repellents from January to April of a year, when distributors start to place orders and make purchases in preparation for the peak consumer demands for insecticides and repellents products in the summer months from April to September. Our revenue and profit are concentrated in the first three quarters of the year. In 2019, we generated 90.4% of our full-year revenue and 94.7% of our profit and total comprehensive income for the year in the first three quarters. Moreover, sales of certain products are subject to seasonality by nature. Accordingly, various aspects of our operations, including sales, production capacity and utilization, working capital and operating cash flow, are exposed to the risks associated with seasonal fluctuations in demand for our products pattern, and our quarterly or half year results may not reflect our full year results.

Our brands and products may be subject to counterfeiting, imitation, and/or infringement by third parties.

We rely on intellectual property laws in the China and other jurisdictions to protect our brands and trademarks. During the Track Record Period, we have been subject to counterfeiting and imitation by external parties that manufactured and marketed their products under "copycat" brand names and trademarks that highly resembled ours. We cannot assure you that such counterfeiting or imitation will not occur in the future or, if it does occur, that we will be able to detect or address the problem effectively. Any occurrence of counterfeiting or imitation of our products or other breaches of our intellectual property rights could adversely affect our reputation and brand name, and lead to loss of consumer confidence in our brand. Any litigation to prosecute infringements upon our rights and products will be expensive and will divert the management's attention as well as other resources away from our business. Although we maintain limited insurance against litigation costs, coverage may be insufficient and we may have to bear the uninsured costs arising from such litigation to the extent we are unable to recover them from the relevant parties. Moreover, if there are any concerns about the quality of the counterfeit products and consumers are not fully able to distinguish such counterfeit products from our products, our reputation and brand value may be impaired. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Changes in supply, quality and costs of raw materials, energy, transportation and other necessary supplies or services may impact our business, financial condition and results of operations.

Our raw materials primarily consist of chemicals and packaging materials. Cost of raw materials and packaging materials represents a substantial portion of our total cost of sales. For the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, cost of raw materials represented 29.7%, 28.1%, 30.9%, 31.0% and 34.2%, respectively of our total cost of sales. We are subject to fluctuations in the prices of raw materials and packaging materials, as well as energy, transportation and other necessary supplies or services, due to factors beyond our control, such as inflation, fluctuations in currency exchange rates, changes in weather or changes in the supply and demand for such related raw materials. We may not be able to offset price increases by raising the prices of our products, in which case our profit margin will decrease, and our financial condition and results of operations may be materially and adversely affected. Additionally, we may lose our competitive advantage if the prices of our products rise significantly. This in turn could result in loss of sales and customers. In both cases, our business, financial condition and results of operations may be materially and adversely affected.

We engage Liby Group for manufacturing and distribution of certain products as well as certain ancillary services.

During the Track Record Period, we have been selling some of our products to Liby Group which further on-sells our products through its distribution channels. Sales to Liby Group accounted for 17.9%, 23.0%, 20.7%, 20.1% and 20.7%, of our revenue in 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, respectively. For further details, please refer to the sections headed "Relationship With Our Controlling Shareholders" and "Connected Transactions" in this prospectus. If Liby Group cannot effectively or efficiently operate its distribution network, or fails to effectively market and distribute our products, sales of our products and our results of operations will be negatively affected.

During the Track Record Period, we outsourced the production of certain products to Liby Group during peak seasons when we required additional production capacity to meet customer demand. Moreover, we engaged Liby Group to provide certain sales support, warehouse services and IT services to our Company, which include implementation of our sales support plan at our points-of-sale, management of our warehouses and maintenance of our IT servers and systems. If Liby Group is not able to effectively and efficiently provide such services, our business and results of operations could be adversely affected.

In addition, if we are unable to renew our transactions with Liby Group in relation to our sales to Liby Group and its provision of outsourcing manufacturing services to us after December 31, 2020 and have to discontinue our business relationship with Liby Group, our results of operations and financial performance will be adversely affected.

If we decide to conduct direct sales to existing key accounts which currently procure through Liby Group, our financial condition and results of operations may be adversely affected during the transitioning process.

During the Track Record Period, we have been selling our products to certain key accounts through Liby Group, and over 85% of the revenue derived from Liby Channel was attributable to key accounts. Sales to Liby Group accounted for 17.9%, 23.0%, 20.7%, 20.1% and 20.7%, of our revenue in 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, respectively. In order to terminate the current sales arrangement with the existing key accounts through Liby Group and conduct direct sales with them in the future, based on management assumptions and our best estimates, we will incur approximately one-off set up cost in the range of RMB61.8 million and RMB86.5 million and an additional annual cost of RMB78.5 million for the establishment of our sales infrastructure to sell directly to these existing key accounts. For further details, please refer to section headed "Relationship With Our Controlling Shareholders – Independence from our Controlling Shareholders – Operational Independence – Sales and Outsourcing Arrangements with Associates of our Controlling Shareholders" in this prospectus. If we decide to conduct direct sales to these existing key accounts which currently procure through Liby Group in the future, our financial condition and results of operations may be adversely affected during the transitioning process.

We may encounter difficulties in maintaining, expanding or optimising our sales and distribution network.

We rely on our omni-channel distribution network in selling our products. Sales to our offline distributors accounted for a significant portion of our total revenue. For the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, 82.1%, 75.8%, 67.9%, 69.6% and 62.8%, of our total revenue were generated from sales through offline distributors, respectively. The competition for high-quality sales and distribution partners is intense in our industry. We may not be able to offer more favourable arrangements to our sales and distribution partners as compared to those offered by our competitors who may be larger and have better-funded sales campaigns. We select and regularly evaluate our sales and distribution partners. Based on our evaluation, we may terminate relationships with certain sales and distribution partners and engage new ones in line with our business strategies. Finding replacement sales and distribution partners may be time-consuming and any resulting delay may be disruptive and costly to our business and we cannot assure you that we will always be able to maintain our relationship with the existing sales and distribution partners or develop relationship with replacement partners.

As part of our business growth strategies, we also consistently seek to expand and optimize our sales and distribution network by exploring new distribution channels, engaging new sales and distribution partners and entering into new geographical regions. However, the success of our expansion plan is subject to, among other things, the following factors:

- the existence and availability of suitable distribution channels or geographical regions and locations for expansion of our distribution and retail network;
- our ability to negotiate favourable cooperation terms with our sales and distribution partners;
- the availability of adequate management and financial resources;
- the availability of suitable sales and distribution partners, especially in lower-tier cities where we rely on the in-depth knowledge of our sales and distribution partners to penetrate into the local market;
- our ability to hire, train and retain skilled personnel; and
- the adaptation of our logistics and other operational and management systems to an expanded distribution and retail network.

Accordingly, if we encounter difficulties in maintaining, expanding or optimising our sales and distribution network in future, our business, financial condition and results of operations and prospects may be materially and adversely affected.

Our sales and distribution partners may accumulate excessive or obsolescent inventory and any excessive build-up of inventory could affect the volume of future orders from our distributors.

We sell some of our products to our sales and distribution partners, who maintain their own inventories of our products. Our sales and distribution partners in turn distribute our products to end customers through various types of retail channels. We monitor the inventory information of our sales and distribution partners by conducting site visits and reviewing sales reports from our sales and distribution partners. However, we may not be able to accurately track the inventory level of our sales and distribution partners or to identify any excessive inventory build-up at various levels of our sales and distribution network. In addition, our sales and distribution network may be unable to sell adequate amounts of their inventories of our products in a given period to retailers, which may result in a buildup of inventory at our sales and distribution partners. We face higher risks of excessive or obsolescent inventories when we launch new products as the market reception to the products is uncertain. In such event, our sales and distribution partners may reduce future orders until their inventory levels realign with demand from their retailers or customers. The reduction in future orders from our sales and distribution partners could have a material adverse impact on our sales to them and, accordingly, to our business, financial condition, results of operations and prospects.

We distribute our products through independent offline distributors over whom we have limited control.

During the Track Record Period, a substantial portion of our products were sold through offline distributors. For the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, 82.1%, 75.8%, 67.9%, 69.6% and 62.8%, of our total revenue were generated from sales through offline distributors, respectively. The performance of our offline distributors and their ability to sell our products, uphold our brand, expand their businesses and their sales network are crucial to the future growth of our business and may directly affect our sales volume and profitability. As of September 30, 2020, we had entered into agreements with more than 1,200 offline distributors which cover approximately 620,000 points of sales. Due to the large number of our offline distributors and the sheer size of the market, it is difficult to monitor their practices. Although we have (1) established a comprehensive management system to monitor our offline distributors' sales performance and (2) adopted measures to avoid potential competition among our offline distributors, including providing recommended retail sales price and taking geographic coverage into account when selecting offline distributors, we have limited control over daily business activities of our distributors and our control over the ultimate retail sales may be limited. Non-compliance by any of our distributors with the relevant distribution agreements or our sales policies may adversely affect the overall sales of our products and our ability to implement development strategies.

Any quality issues related to our products or the household care and personal care industry could result in a loss of customers and sales and, if related to our products, may subject us to product liability claims.

The success of our business depends on our ability to consistently deliver products with high quality and reliability. Maintaining consistent product quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors, including the design of our quality control systems and our ability to ensure that our employees and other third parties involved in our operations adhere to those quality control policies and guidelines. Although we implement certain quality control standards and measures throughout our entire manufacturing process (please refer to the section headed "Business – Product Safety and Quality Control" for details), we cannot assure you that our quality control systems will prove to be effective at all times, or that we can identify any defects in our quality control systems in a timely manner. If the quality of any of our products deteriorates for any reason, or if the consumers do not perceive our products to be effective as they claim to be, we may be faced with returns or cancellations of orders and customer complaints. Additionally, our products, as are most household care and personal care products, contain a number of ingredients, some of which or the combination of which may have actual or perceived unknown adverse effects on the environment or human health. As a result, there may be, from time to time, complaints or concerns among consumers about certain of our products or in general, which in turn could jeopardise customer's confidence in our products.

Moreover, if any defect or adverse effect of our products or certain household care, personal care or pet care products in general results in property damage or personal injury, we may suffer from product liability claims or product recalls, resulting in financial and reputational damages. These legal claims may be expensive for us to defend even if we prevail in the end. Although we have purchased product liability insurance, coverage may be insufficient. Please refer to the subsection headed "Our insurance coverage may not be sufficient to cover all of our potential losses." for details. Furthermore, if there is a pattern of quality issues in the household care, personal care or pet care industry in general, consumers' perception of, and willingness to purchase, our products may also be negatively affected, regardless of whether such quality issues relate to us. Any quality issues related to our products or the household care or personal care industry, actual or perceived, may have a material and adverse effect on our business, financial condition, results of operations and prospects.

We recorded net current liabilities and negative operating cash flows during the Track Record Period.

We recorded net current liabilities of RMB21.5 million and RMB170.4 million as of December 31, 2018 and 2019, respectively, primarily because of the increases in our amounts due to shareholder as a result of the Reorganization. In 2018 and 2019, we declared dividends of RMB423.6 million and RMB216.7 million, respectively, to the shareholders of Anfu Cheerwin, Cheerwin Biotechnology and Panyu Cheerwin. Please refer to the section headed "Financial Information – Liquidity and Capital Resources – Net current assets and liabilities" for details. Having net current liabilities could constrain our operational flexibility and could adversely affect our ability to expand our business. We cannot assure you that we will have sufficient financial resources to meet our anticipated cash needs, including capital requirements, capital expenditure, repayment of our future indebtedness, if any, when it falls due and various contractual obligations. In the event that the commercial banks providing existing banking and credit facilities do not continue to extend similar or more favorable facilities to us and we fail to obtain alternative banking and credit facilities on reasonable terms, or at all, our business, results of operations and prospects may be adversely affected.

We had negative cash flow from operating activities of approximately RMB113.7 million in 2018, which was mainly attributable to (i) a decrease in amounts due to related parties of RMB164.8 million as we made payments for service fees in 2018 and gradually settled our amounts due to the related parties during the course of Reorganization; and (ii) some of our distributors made pre-orders and paid cash advances earlier at the end of 2017 in anticipation of our product upgrades and price raise in 2018, resulting in a decrease in advances received by us. We had negative cash flow from operating activities of approximately RMB28.8 million in the nine months ended September 30, 2020, which was mainly attributable to (i) a decrease in contract liabilities of RMB354.6 million resulting from our continued fulfilment and delivery of orders that customers had prepaid in the first nine months of 2020; (ii) a decrease of RMB42.4 million in trade and other payables; and (iii) an increase in amounts due from related parties of RMB41.9 million which was primarily in relation to our increased sales to Liby Group, partially offset by a decrease of inventories of RMB187.8 million primarily due to our adoption of "make-to-order" model which effectively reduced the inventories of raw materials, work in progress as well as finished goods. For further information, see "Financial

Information – Current Assets and Liabilities" and "Financial Information – Liquidity and Capital Resources – Consolidated Cash Flow Statements". We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. Our liquidity and financial condition may be materially and adversely affected should our future operating cash flow remain negative, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us or at all.

Our efforts in developing and investing in technologies may not generate expected outcomes.

We have been devoted to continuously developing and seeking developments in technologies closely related to household care, personal care and pet care products to be used in our products. As of September 30, 2020, our core research and development team consisted of 26 staff with a proven track record of launching new products or product upgrades. However, we cannot assure you that our future efforts in developing such technologies will be successful, in which case, our products may lose their competitive advantage. In addition, we cannot assure you that the technologies we developed will be well received by the consumers, in which case our business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, we rely on technologies in many aspects of our operations. For example, we employ a laboratory information management system to support each and every aspect of our R&D in our daily operations. Please refer to the section headed "Business – Information Technology Systems" for details. Although we continuously upgrade our technologies to stay abreast with the latest industry developments, we cannot assure you that our investment on technologies could produce the expected outcomes, in which case our business, financial condition, results of operations and prospects could be materially and adversely affected.

Future changes in the online marketing industry and consumer behavioral pattern may adversely affect our sales through online channels.

Our online channels include (i) direct sales to consumers through our self-operated online stores on major e-commerce platforms, and (ii) sales to a network of online distributors who then on-sell to consumers via various online channels. The future growth of our operations depends on our ability to continue attracting online customers and gaining new purchases from various online channels, as well as our ability to retain visitors to our online stores. We believe that maintaining a strong online presence helps improve our brand visibility and awareness, especially in regions where we have yet to establish a physical presence. However, we may not be successful in any of these respects. In addition to our ability to maintain relationships with various online channels, the success of these channels also depends on a number of factors relating to the online marketing industry and consumer behavioral pattern, including, without limitation:

- consumer traffic on e-commerce platforms generally and our ability to increase the consumer traffic on our online stores and on the e-commerce platforms we engage;

- our ability to respond to the changes in internet and mobile penetration, as well as the online marketing industry in China;
- influence of KOLs on consumer preferences and our cooperation with the KOLs;
- the reliability of the independent e-commerce platforms; and
- the availability of the relevant network infrastructure, such as online or mobile payment platforms.

Further, if privacy concerns or regulatory restrictions prevent us from collecting data or using data we collected in the course of our business to analyze consumer preference or if there are any defects in our data analytic model, our prediction on consumer behavior may not be accurate. With regard to the accuracy of our data, we rely on the information provided by our online customers as well as information obtained by monitoring our visitors' browsing behavior. We do not verify the authenticity of all such data. If the information that we collect is materially inaccurate or false, this may also adversely affect our prediction on market trends as well as our business implementation.

We cannot assure you that we can stay abreast of constantly changing consumer behavioral pattern and preferences and anticipate product trends that will appeal to existing and potential online customers. Accordingly, a decline in the popularity of online shopping in general or our failure to identify and respond to trends and consumer requirements in the online channels could result in decreased number of online customers and reduced attractiveness of our self-operated online stores and our stores on social media platforms. This in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

Failure to integrate and manage our multiple sales and distribution channels may adversely affect our business and prospects.

During the Track Record Period, we sold our products through: (i) offline distributors that on-sell our products to local hypermarkets, supermarkets, convenience stores, gas stations, certain small vendors in the residential communities of smaller cities, (ii) key account clients, including national and regional hypermarkets and supermarkets; (iii) overseas distributors; (iv) online channels including self-operated online stores and certain online distributors; and (v) certain corporations that make procurement for internal use. We cannot assure you that these measures will be effective due, in part to our limited control over our offline and online distributors as well as key accounts. Any adverse competition or cannibalization among our sales and distribution channels will have a negative impact on the stability of our sales and distribution network and retail prices of our products, which may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Inadequate production capacity could hinder our capabilities to satisfy customers' demand and growth prospect.

Currently, we operate two production bases in Panyu, Guangdong Province and Anfu, Jiangxi Province. The COVID-19 outbreak in China has increased the demand for certain of our products, including disinfectant and antibacterial products. We cannot assure you that our production capacity will be adequate to meet the overall market demand for our products, or specific demands for our disinfectant products. Please also refer to the subsection headed "– We face risks related to health epidemics, infectious diseases and other outbreaks, including the recent COVID-19 outbreak" for details. Similarly, we cannot assure you that we will be able to meet the overall demand for our products or specific demand for any of our products in particular, should the production in any of our production facilities be disrupted in the future, especially during the period when we experience high demand of some or all of our products. Please refer to the subsection headed "– We may experience disruptions and delays in our production" for details. Under these circumstances, our business, financial condition, results of operations and prospects may be materially and adversely affected.

In the future, as our business grows, we may need to expand our production capacity by various measures including construction of new premises. We cannot assure you that our new premises will be ready in time or our production capacity will otherwise be successfully expanded. Failure to expand our production capacity could hinder our capacity to satisfy customers' demand and growth prospect. Furthermore, if market demand declines in the future, we may not be able to recoup the costs incurred for construction of new premises and maintenance of expanded production capacity. The delay or cancellation of our expansion could also subject us to disputes with various counterparties, including but not limited to, general contractors and sub-contractors, equipment suppliers, financiers and relevant governmental authorities. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may experience disruptions and delays in our production.

Currently, we have two production facilities in Panyu, Guangdong Province and Anfu, Jiangxi Province. During the Track Record Period, we also outsourced production of certain of our products to Liby Group and other third party manufacturers. Natural or man-made disasters, such as adverse weather, fires, technical or mechanical difficulties, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of epidemics, or other interruptions such as power and water suspension, may cause significant damage to our production facilities or those of third party manufacturers we engage, which could be costly and time-consuming to reinstate and could cause significant disruptions to our operations. We may incur additional costs and may experience a disruption in the supply of products until the affected production facilities become available and operational.

Additionally, we rely on the timely supply of our raw materials, including chemicals and packaging materials, in order to carry out our production plans as scheduled. Any delays or disruptions in raw material supplies from our suppliers, may have a material and adverse impact on our ability to meet our contractual obligations to customers. In addition, any natural or man-made disasters or other unanticipated catastrophic events, including adverse weather, fires, technical or mechanical difficulties, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of epidemics could disrupt our transportation channels and impair the operations of our suppliers, and impede our ability to manufacture and deliver our products to customers in a timely manner. For example, incidents such as the COVID-19 outbreak in the first quarter of 2020 may put extra strain on our supply chain. Please refer to the subsection headed "– We face risks related to health epidemics, infectious diseases and other outbreaks, including the recent COVID-19 outbreak" for details of the impact of the COVID-19 outbreak on our production bases and supply chain. Although we have not experienced major production disruptions during the Track Record Period and as of the Latest Practicable Date, any disruption or delay in our production in the future could have an adverse impact on our ability to produce sufficient quantities of products, which could in turn impair our ability to meet the needs of our customers. In such cases, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We are subject to risks relating to the warehousing of the products we sell.

Before delivery of products to our distribution channels and customers, we temporarily store them in warehouses owned by ourselves, our Controlling Shareholders, Liby Group and other third parties. We maintain property-related insurance that covers financial losses we may sustain as a result of accidents, including fires. However, if such accidents, including fires, were to occur, causing damages to the products we sell or our warehouses, our ability to supply our products could be adversely affected. The occurrence of any of these incidents could also require us to make significant unanticipated capital expenditures and delay our delivery of products. Lost sales or increased costs that we may incur due to such disruption of operations and delay in delivery may not be recoverable under our existing insurance policies, and prolonged business disruptions could result in a loss of end-customers. If any one or more of the above risks were to materialize, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales.

Maintaining optimal inventory levels is critical to the success of our business. As of December 31, 2017, 2018 and 2019, and September 30, 2020, the balance of our inventory accounted for approximately 35.1%, 56.2%, 36.1% and 17.1%, respectively, of our total current assets. In 2017, 2018 and 2019, and the nine months ended September 30, 2020, our inventory turnover days were 144.4, 183.3, 197.1 and 87.5, respectively. We are exposed to inventory risks as a result of a variety of factors beyond our control, including changing consumption trends and customer preferences and launches of competing products. Moreover, for stocking purposes, we generally estimate demand for the products we sell ahead of the actual time of sale. We cannot assure you that we can accurately predict these trends and events and maintain adequate levels of inventory at all times. An unexpected decrease in the market demand for the products we sell could lead to excessive or obsolescent inventory, and we may be forced to offer discounts or conduct promotional activities to dispose of slow-moving inventory, which in turn may materially and adversely affect our financial condition and results of operations. On the other hand, inventory under-stock may cause us to lose sales and our business, financial condition, results of operations and prospects may also be materially and adversely affected.

Delivery delays, poor handling by third party logistics providers and courier companies or disruptions in the transportation network may adversely affect our business, financial condition, results of operations and prospects.

We primarily outsource our product delivery to independent third party logistics service providers. Disputes with or the termination of our contractual relationships with one or more of our logistics service providers or courier companies could result in delayed delivery of products, increased costs or customers dissatisfaction. We cannot assure you that we can continue or extend relationships with our current logistics service providers or courier companies on terms and prices acceptable to us, or at all. We also cannot assure you that we will be able to establish relationships with new logistics service providers or courier companies to ensure accurate, timely and cost-efficient delivery services. If we are unable to maintain or develop good relationships with logistics service providers or courier companies, we may experience increases in our costs, or disruption to our ability to offer products in sufficient quantities, on a timely basis, or at prices acceptable to our end-customers.

As we do not have any direct control over these logistics service providers or courier companies, we cannot guarantee their quality of services. If there is any delay in delivery, damage to products resulting from poor handling or any other issue, we may lose customers and sales and our brand image may be tarnished. Moreover, delays in delivery due to disruptions on the transportation network, such as transportation shortages, work stoppages or infrastructure congestion, could adversely impact our ability to timely deliver the products we sell to our sales and distribution partners and consumers, which could in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Our employees are subject to risks of serious injury caused by the use of chemical products, manufacturing equipment and machinery.

We use chemical products and heavy machinery and equipment in our productions, which are potentially dangerous and may cause industrial accidents and personal injury to our employees. Safety trainings we provide to our employees may not be effective to prevent accidents. Any significant accidents caused by the use of equipment or machinery could interrupt our production, damage our corporate image and result in legal and regulatory liabilities. Although we have maintained employees' accident insurance and have put in place work-related injury insurance and medical insurance, the insurance coverage may be inadequate to offset losses arising from claims related to such accidents. In addition, potential industrial accidents leading to significant property loss, personal injury or death may subject us to claims and lawsuits, and we may be liable for medical expenses and other payments to the employees and their families, as well as fines or penalties. As a result, our reputation, brand, business, financial condition, results of operations and prospects may be materially and adversely affected.

We depend on some key personnel and our ability to attract and retain talented personnel for our operations.

Our future success depends heavily on the continuing services of our senior executives, talented personnel and other key employees, including our chairman and Chief Executive Officer, Ms. Chen Danxia and other senior management team. Please refer to the section headed "Directors, Senior Management and Employees" for details. Our key personnel's expertise in business strategies, product design and development, business operations, sales and marketing, regulatory compliance and relationships with our customers and suppliers are crucial to us. We do not maintain key man insurance for any of our key personnel. If one or more of our senior executives or other key employees are unable or unwilling to continue in their present positions, we may not be able to replace them promptly or at all, which may severely disrupt our business and affect our results of operations and future prospects. Moreover, our industry is characterized by high demand and intense competition for talented personnel, we may not be able to attract or retain highly skilled employees or key personnel. We cannot assure you that our key personnel will not join a competitor or form a competing business or will honor the non-compete agreement in their employment contracts. The competition for qualified personnel in the PRC may drive up employee compensation expenses, which could materially and adversely affect our financial condition and results of operations.

We may experience increase in labor costs, shortage of labor or deterioration in labor relations.

Labor costs have been increasing and may continue to rise in the future. Labor cost increases may cause our production costs to increase and we may not be able to pass on such increase to our customers. We also cannot assure you that we will not experience any shortage of labor. Any such shortage could hinder our ability to maintain our production schedules and maintain or expand our business operations, which could materially and adversely affect our business, financial condition, results of operations and prospects.

We seek to maintain favorable labor relations as we believe that our long-term growth depends on the expertise, experience, and development of our employees. We cannot assure you that we will not have any labor disputes in the future. The deterioration of our labor relations could result in disputes, strikes, claims, legal proceedings and reputational damage, labor shortages that disrupt our business operations, as well as loss of experience, know-how and trade secrets.

Our failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, customers, distributors, suppliers or other third parties may have a material adverse effect on our business.

We are exposed to fraudulent or illegal activities or other misconduct by our employees, customers, distributors, suppliers or other third parties that could subject us to liabilities, fines and other penalties imposed by government authorities and negative publicity. Although we have implemented internal controls and policies with regard to the review and approval of merchant accounts, sales activities, interactions with business partners and government officials and other relevant matters, there can be no assurance that our controls and policies will prevent fraud or illegal activity by such persons or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activity by our employees, customers, distributors, suppliers or other third parties, including, but not limited to, those in violation of anti-corruption or anti-bribery laws, could subject us to negative publicity that could severely damage our brand and reputation and, if conducted by our employees, could further subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, customers, distributors, suppliers or other third parties could materially and adversely affect our business, financial condition, results of operations and prospects.

Our risk management and internal control systems may not be adequate or effective.

We have designed and implemented risk management and internal control systems comprising organizational framework policies and procedures, financial reporting processes, compliance rules, and risk management measures we believe are appropriate for our business operations. While we seek to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective in ensuring, among other things, accurate reporting of our financial results and the prevention of fraud. Please refer to the section headed "Business – Risk Management" for further information on our internal control policies. Since our risk management and internal control systems depend on implementation by our employees, and even though we provide relevant internal trainings in this regard, we cannot assure you that our employees are sufficiently or fully trained to implement these systems, or that their implementation will be free from human error or mistakes. If we fail to timely update, implement, and modify, or fail to deploy sufficient human resources to maintain our risk management policies and procedures, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We derive a significant portion of our revenue from household insecticides and repellents products.

For the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, 68.4%, 69.4%, 63.3%, 69.0% and 64.9%, respectively, of our revenue was derived from our household insecticides and repellents products, primarily including various forms of mosquito insecticides and repellents with different functionalities.

In light of the continuously changing consumer preferences and market trends, we cannot assure you that sales of our insecticide and pest repellent products will increase or remain at their current levels in the future. If our household insecticides and repellents products fall out of favor and we cannot introduce replacement products in a timely manner, our sales and profit may decrease significantly and accordingly, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Any negative publicity regarding our Company, Directors, employees, spokespersons or products, regardless of its veracity, could adversely affect our business.

As a company with various established brands, our image is sensitive to the public's perception of us as a business in entirety, which includes not only the quality, safety and competitiveness of our products, but also our corporate management and culture. We cannot guarantee that no one will, intentionally or incidentally, distribute information about us, especially those regarding the quality and safety of our products or our internal management matters, that may result in negative perception of us by the public. In addition, negative publicity regarding our spokespersons may result in negative perception of us by the public even if the negative publicity does not involve our products at all. Any negative publicity about our Company, Directors, employees, spokespersons or products, regardless of veracity, could lead to potential loss of consumer confidence or difficulty in retaining or recruiting talents that are essential to our business operations. As a result, our business, financial condition, results of operations, reputation and prospects may be materially and adversely affected.

We may not be able to adequately protect our intellectual property rights, which could harm the value of our brands.

We rely heavily on a combination of patents, trademarks, domain name registrations and confidentiality agreements to protect our intellectual property rights. We also possess a significant number of trade secrets in relation to proprietary product formulations, technologies and production processes, which we believe are material to our operations and which are not covered by patents. We rely on various protective measures to safeguard such unpatented proprietary information, such as regularly monitoring our intellectual property rights through our legal department and entering into confidentiality agreements with our relevant employees and third parties. Please refer to the section headed "Business – Intellectual Property" for details. However, we cannot assure you that our protective measures will be sufficient to protect our trade secrets, know-how or other proprietary information against any unauthorized use, misappropriation or disclosure. We cannot guarantee that there will not be further infringements on our intellectual property rights in future. We also cannot guarantee that we will be successful in enforcing confidentiality provisions or undertaking legal proceedings in the event that there is any unauthorized use of our intellectual property. If we fail to effectively protect our intellectual property from inappropriate or unauthorized use by third parties in ways that adversely affect our brand name, our reputation could suffer, which in turn could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Third parties may assert or claim that we have infringed their intellectual property rights.

Intellectual property rights, such as trademarks and patents, are important in the consumer products industry as they protect brand images, product formulations and other valuable rights. Our competitors or other third parties may have intellectual property rights and interests which could potentially conflict with ours. If any trademark or patent infringement or other intellectual property claims against us are successful, we may not have a legal right to continue to develop, produce, use or sell products that are adjudicated to have infringed third parties' intellectual property rights. We may be legally required to expend significant resources to redesign our products so that they do not infringe third parties' intellectual property rights or we may be required to obtain relevant licenses to avoid further infringements. Intellectual property litigation against us could significantly disrupt our business, divert our management's attention or consume much of our financial resources. Additionally, we may be subject to infringement or misappropriation claims by third parties in other aspects of our day-to-day operations, such as our usage of images, fonts or music in our advertising and promotional activities, as well as computer software. Any intellectual property disputes could have a material adverse effect on our business, financial condition, results of operations and prospects.

We consider the formulae of producing our products to be our trade secrets, and our ability to compete could be harmed if we fail to maintain the confidentiality of these trade secrets.

Our products are produced using our proprietary formulae. We have kept these formulae as our trade secrets. Patent registration in the PRC involves publication of the relevant details of the subject of the patent as we believe that such disclosure would provide our competitors with details of our formulae and would, as a result, enable them to imitate our production methods or refine their own production accordingly. We have generally included confidentiality clauses in the employment contracts of our relevant personnel (such as key management and R&D personnel) and have set forth employees' obligation to keep our trade secrets confidential in our code of conduct for employees. However, we cannot assure you that our proprietary formulae will not be disclosed to or discovered by a competitor or another third party or products using formulae will not be developed or marketed by such persons. After obtaining the same or similar formulae, such person may seek intellectual property rights and enjoin us from producing, promoting, selling or using products based on these formulae. We may not have adequate legal remedies to prevent third parties from producing or marketing products based on the same or similar formulae. Consequently, we may lose our market share, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may be involved in claims, disputes and legal proceedings in our ordinary course of business.

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, breach of contract, employment or labor disputes, antitrust, infringement of intellectual property rights and environmental matters. In particular, the manufacture and sales of our products subjects us to potential product liability claims if our products are proved to have failed to meet relevant health and safety or other laws and regulations, or cause or are alleged to have caused illness or health issues. If we do not succeed in defending against any product liability claims, we may be subject to substantial damages to compensate the claimants. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources, may materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

We are subject to a wide variety of regulations, and failure to comply with such regulations or control the associated costs may harm our business.

We are required to comply with various and extensive environmental, health, hygiene and safety and labor laws and regulations promulgated by the relevant PRC government authorities. Our failure to comply with these laws and regulations will result in penalties, fines, administrative proceedings, litigations and suspension or revocation of our licenses or permits to conduct our business. Considering the complexity and magnitude of the laws and regulations, compliance with them may be burdensome or require a significant amount of financial or other resources. These laws and regulations change from time to time and thus we cannot give assurance that the relevant PRC government authorities will not impose any additional or more stringent laws or regulations, compliance with which may cause us to incur significantly increased costs, which we may not be able to pass on to our customers. Failure to comply with the relevant regulations and control the associated costs may materially and adversely affect our business, financial condition, results of operations and prospects.

Failure to comply with environmental laws and regulations, may subject us to fines or penalties or incur costs that could materially adversely affect the success of our business.

We are subject to a number of environmental, health and safety laws and regulations, including but not limited to the treatment and discharge of pollutants into the environment and the use of toxic and hazardous chemicals in the process of our business operations. Please see "Regulatory Overview" for details. In addition, our production lines or factories construction projects can only be put into operation after the relevant administrative authorities in charge of environmental protection and health and safety have examined and approved the relevant facilities in China or certain other jurisdictions. We cannot assure you that we will be able to obtain all the regulatory approvals for our production lines and factories construction projects in a timely manner, or at all. Delays or failures in obtaining all the requisite regulatory approvals of such facilities may affect our abilities to develop, manufacture and commercialize our sanitizers, disinfectant and antibacterial products as we plan. As requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we fail to comply with environmental protection laws and regulations, we may be subject to rectification orders, substantial fines, potentially significant monetary damages, or production suspensions in our business operations. In addition, we cannot fully eliminate the risk of accidental contamination, biological or chemical hazards or personal injury at our facilities during the process of testing, development and manufacturing of our products. In the event of such accident, we could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could harm our business. Other adverse effects could result from such liability, including reputational damage.

Furthermore, we may be required to incur substantial costs to comply with current or future environmental laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions. Any of the foregoing could materially adversely affect our business, financial condition, results of operations and prospects.

Our lending practices may not be in compliance with the relevant PRC laws and regulations.

We provided a loan of RMB253.0 million to a subsidiary of Baokai Daorong with a maturity period within one year and an effective interest rate of 4.35% per year in 2017, as well as non-trade advances of RMB59.5 million to another subsidiary of Baokai Daorong which is interest-free, unsecured and repayable on demand in 2018. These amounts were fully repaid in 2018 and 2019, respectively. We also provided interest-free, unsecured, non-trade advances to Liby Group in 2017, which were fully repaid to us in 2018. For more information, please see "Financial Information – Related Party Transaction – Amounts due from related parties." While as of the Latest Practicable Date, we had not received any notice of claim or penalty relating to the loans to Baokai Daorong and to Liby, we cannot assure you such loans are in compliance with the General Lending Provisions (《貸款通則》), a regulation promulgated by the PBOC in 1996. According to the General Lending Provisions, only financial institutions may legally engage in the business of extending loans, and loans as between companies that are not financial institutions are prohibited. The PBOC may impose penalties on the lender, amounting to one to five times of the income generated (being interests charged) from loan advancing activities. In our case, the potential maximum penalties on us in connection with the loans and advances to the related parties mentioned-above would be up to approximately RMB43.4 million.

We are required to obtain and maintain various licenses and permits, the failure of which may have a material adverse effect on us.

In accordance with PRC laws, we are required to obtain and maintain various licenses and permits for the production of our products. Please refer to the section headed "Business – Licenses, Approvals and Permits" for details. We are required to comply with applicable environmental protection requirements, hygiene quality standard and production safety standards in relation to our operation and production process. We are subject to regular and random inspections in order to comply with the rules and regulations of the relevant public health authority and quality and technology supervision administration. Failure to pass these inspections and to comply with the licensing or other regulatory requirements may lead to termination of production and sale of our products, confiscation of the associated income, withdrawal of business license, or potentially criminal liabilities, which will materially and adversely affect our reputation, as well as our business, financial condition, results of operations and prospects.

Failure to comply with applicable advertising laws and regulations when promoting our products may subject us to potential risks and penalties.

We advertise our brands and products through various channels, including television, billboards and posters, news and magazines, the internet and social media, which is subject to the applicable PRC laws and regulations. For example, from time to time, we may be scrutinized for the source of certain data or choice of certain words used in our advertising. If our employees or the third party service providers we engage fail to comply with such laws and regulations, or the relevant government authorities, who have broad discretions in interpreting the laws and regulations, ultimately take a view that is inconsistent with our understanding in the process of administrative law enforcement, we may be subject to potential risks and penalties. We cannot ensure that inadvertent non-compliance will not happen in the future, which may subject us to further penalties imposed by the relevant authorities and may further damage our brand image and reputation. We may need to increase compliance costs in the future to comply with applicable advertising laws and regulations. Accordingly, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may be subject to fines for failure to register some of our lease agreements.

As of the Latest Practicable Date, we leased six properties in China, three of which had yet to be registered with the relevant government authorities in accordance with PRC laws and regulations. As advised by our PRC Legal Advisers, the lack of registration of a lease will not affect the validity of the lease agreement. However, we may be subject to a maximum penalty of RMB10,000 for each of such non-registered leases should we fail to register the lease agreements upon request by the relevant authority, which may have an adverse effect on our business, financial condition, results of operations and prospects. Please refer to the section headed "Business – Properties – Leased Properties" for details.

Changes in existing laws, regulations and policies may cause us to incur additional compliance costs.

We are subject to various regulations relating to product safety and general consumer protection in the PRC. From time to time, governmental authorities may modify such laws and regulations to promulgate higher standards of product quality and safety and impose more stringent limitations on operations of the household care industry. Additionally, we are also subject to changes in general laws, regulations and policies, such as zoning ordinances or environmental regulations, which may hinder our expansion plan and impact our daily operations. As such, we may need to incur additional costs and our business growth and development may slow down due to resources we have to spend on complying with these laws and regulations, which may materially and adversely affect our business, financial condition, results of operations and prospects.

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

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on the Housing Provident Fund of the PRC (住房公積金管理條例), we are required to make social insurance premium contributions and housing provident funds for our employees. Our PRC subsidiaries have in the past failed to make full contribution to the social insurance premiums and housing provident funds in a timely manner. As advised by our PRC Legal Advisers, the relevant PRC authorities may request us to pay the outstanding social insurance contributions within a stipulated deadline and pay an overdue charge equal to 0.05% of the outstanding amount for each day of delay. If we fail to repay the outstanding social insurance contributions and the overdue charge within the prescribed period, we may be liable to a fine of one to three times the outstanding contribution amount. In case we fail to make payments of outstanding housing provident fund contributions prior to the stipulated deadline imposed by the relevant government authorities, we may be subject to an order from the relevant people's courts to make such payment. For further details, see "Business – Employees."

Government grants currently received by us may be reduced or discontinued in the future.

During the Track Record Period, we recorded government grants primarily from local government authorities in Guangzhou. These government grants have been provided in recognition of our achievements and contribution to local economy. For the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, we recognized government grants of RMB1.8 million, RMB18.6 million, RMB35.8 million, RMB13.2 million and RMB9.9 million, respectively. We cannot assure you that we will continue to be eligible to receive such government grants or that the amount of such grants will not be reduced in the future. Our ability to continue to enjoy government grants is subject to changes in national or local policies that affect the validity of our agreements with the relevant local government authorities and the availability of similar preferential arrangements, and may be affected by the termination of, or amendments to, such agreements for any number of reasons, including those beyond our control. Moreover, we cannot assure you that we will be able to enter into new agreements with local government authorities that provide government grants to us on similar terms. Any decrease in or termination of such government grants in the future may have a material and adverse effect on our financial condition, results of operations and prospects.

We may be subject to higher income tax rates as certain preferential tax treatments granted to us may not be renewed.

During the Track Record Period, Anfu Cheerwin, one of our major subsidiaries in the PRC, has enjoyed a preferential enterprise income tax rate of 15% as a qualified Hi-Tech Enterprise, instead of the general rate of 25%. The preferential rate was effective until December 2022. We cannot assure you that Anfu Cheerwin can renew such qualification in the future. Accordingly, Anfu Cheerwin may be subject to the 25% enterprise income tax rate in the future, which may increase our consolidated income tax expense and decrease our consolidated net profit, and may in turn materially and adversely affect our financial condition and results of operations.

We are exposed to credit risks related to our trade and other receivables, and amounts due from related parties.

Our credit risk is primarily attributable to our trade receivables and other receivables, amounts due from related parties, pledged bank deposits and bank balances. We enter into a wide variety of contractual arrangements with different counterparties in the ordinary course of our business. We generally requires advance payments from majority of our customers before delivery of goods. For certain customers, we allow credit terms of five to 60 days from the invoice date for trade receivables. Additionally, we may, from time to time, accommodate requests to extend credit terms from certain major customers. As of December 31, 2017, 2018 and 2019 and September 30, 2020, our trade and other receivables were RMB31.6 million, RMB60.3 million, RMB91.1 million and RMB92.1 million, respectively. Our trade receivables turnover days were 1.8 days in 2018, 2.0 days in 2019 and 2.3 days for the nine months ended September 30, 2020. As of September 30, 2020, our trade receivables past due over 365 days were nil, as compared to RMB0.9 million as of December 31, 2019. For the years ended December 31, 2017 and 2018 and the nine months ended September 30, 2020, we recorded net provision for impairment loss in respect of trade receivables of RMB160 thousand, RMB489 thousand and RMB1.7 million, respectively. For the nine months ended September 30, 2019 and the year ended December 31, 2019, we recorded net reversal of impairment loss in respect of trade receivables of RMB571 thousand and RMB265 thousand, respectively. See "Financial Information – Analysis of Selected Consolidated Statements of Financial Position Items – Trade and other receivables" for further details. As of December 31, 2017, 2018 and 2019, and September 30, 2020, we recorded amounts due from related parties of approximately RMB553.3 million, RMB77.3 million, RMB51.6 million and RMB93.4 million, respectively. Among these amounts, RMB49.0 million, RMB17.3 million, RMB51.6 million and RMB93.3

million, respectively, were trade in nature and primarily represented receivables from the sale of our products (excluding prepayments to related parties) to Liby Group which further on-sell our products. These amounts were unsecured and interest-free and with credit terms of 45 days in general. See "Financial Information – Related Party Transaction – Amounts due from related parties" for further details. Our senior management regularly reviews the recoverability of overdue balances of trade and other receivables, and no impairment is necessary in respect of the remaining unsettled balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. As there is limited financial or public information on many of our counterparties, we cannot assure you that all of our counterparties are creditworthy and reputable and will not default on us in the future, despite our efforts to conduct credit assessments on them. As a result, we are exposed to risks that our counterparties may fail to fulfil their obligations to us under our contracts.

Our deferred tax assets are subject to accounting uncertainties.

In the application of our accounting policies, we are required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on historical experience and other relevant factors. As a result, actual results may differ from these accounting estimates. See Note 17 to "Appendix I – Accountants' Report." As of December 31, 2017, 2018 and 2019 and as of September 30, 2020, we recognized deferred tax assets of RMB24.1 million, RMB19.8 million, RMB29.0 million and RMB40.4 million, respectively. Based on our accounting policies, deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized. The realization of a deferred tax asset mainly depends on our estimate as to whether sufficient future profits will be available in the future. If sufficient future taxable profits are not expected to be generated or are less than expected, a material reversal of deferred tax assets may arise.

Our results of operations and financial condition may be adversely affected by financial assets at fair value through profit or loss.

As of December 31, 2017, 2018 and 2019 and September 30, 2020, our financial assets at fair value through profit or loss ("FVTPL") were nil, RMB25.0 million, nil and RMB335.0 million, respectively, which represent structured deposits mainly consisting of non-principal protected money market funds issued by PRC domestic commercial banks. We recorded investment income from such financial assets at FVTPL of nil, RMB1.8 million, RMB3.7 million and RMB2.9 million in 2017, 2018, 2019 and the nine months ended September 30, 2020. The return of the structured deposits was determined by reference to the return of their respective underlying investments, and the changes in their fair values are recorded under other income and gains in the consolidated statements of profit or loss, which will directly affect our profit and results of operations. We cannot assure you that we will continue to generate such fair value gain in the future. If our investments incur a fair value loss, our results of operations and financial condition may be adversely affected.

Our information technology systems may experience unexpected system failures, interruptions, inadequacies or security breaches.

We rely on our information technology systems, which includes our ERP system to effectively manage our inventory, client information analysis, logistic data, sales activities, sales personnel workload and other business processes. As our sales through online channels grow, we plan to continue using our ERP system, which integrates all e-commerce platforms we operate, as a unified system to manage all online sales activities across different platforms in the future. Our growing use and reliance on information technology will place an increasing pressure on such systems. We may encounter problems when upgrading our systems and services, which could adversely affect our sales and other operations.

In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including power outages, fire, natural disasters, systems failures, security breaches and viruses. Any significant failure of our information technology systems, or loss or leakage of confidential information could result in transaction errors, process inefficiencies and loss of sales and customers, which could further harm our reputation and materially and adversely affect our business, financial condition, results of operations and prospects.

Our facilities and operations may require substantial investment and upgrading.

Our facilities and operations may require substantial investment and upgrading from time to time due to depreciation or business growth, which may increase our cost. If we cannot successfully recover such cost, our profitability may be decreased. Additionally, the timely completion of planned upgrading is subject to a number of factors, including our ability to raise and maintain sufficient funds for such upgrading, our ability to obtain the required licenses and permits from government authorities, and adequate supply and timely delivery of materials and equipment. If upgrading is not completed in a timely manner, our production capacity may be temporarily restrained, which may further materially and adversely affect our business, financial condition, results of operations and prospects.

If we are unable to perform our contracts, our results of operations and financial condition may be adversely affected.

As of December 31, 2017, 2018 and 2019 and September 30, 2020, we had contract liabilities of RMB223.5 million, RMB154.1 million, RMB455.9 million and RMB101.3 million, respectively. Our contract liabilities represent prepayments from customers. If we fail to honor our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the prepayments they have made, which may in turn adversely affect our financial condition. In addition, if we fail to honor our obligations under our contracts with customers, it may also adversely affect our relationship with such customers, which may in turn affect our results of operations in the future.

Laws and regulations related to e-commerce activities in China may impose additional requirements and obligations on our online channels or could increase our compliance cost.

The e-commerce industry in which we have operations is highly regulated. As the e-commerce industry is evolving rapidly in China, new laws and regulations may be adopted to address new issues that arise from time to time and to impose additional restrictions on our e-commerce business. If the PRC government establishes stricter data privacy or other regulatory requirements on e-commerce activities in the future, we may incur significantly higher compliance costs in our online channels, and we cannot assure you that we would be able to meet all the regulatory requirements in a timely manner, or at all. For example, the E-Commerce Law, promulgated by the SCNPC on August 31, 2018 and implemented on January 1, 2019, requires all e-commerce operators, broadly defined to include natural persons, legal persons and unincorporated organizations that engage in business activities of selling commodities or offering services through the internet and other information networks, to abide by the principles of voluntariness, equality, equity and good faith, observe the law and business ethics, fairly participate in market competition, perform obligations in aspects including protection of consumer rights and interests, environment, intellectual property rights, cybersecurity and individual information, assume responsibility for quality of products or services, and accept the supervision by the government and the public. Please refer to the section headed "Regulatory Overview – Regulations in relation to E-commerce Activities" for details. Such legislation and enforcement may result in additional compliance obligations and costs or place restrictions upon our current or future operations. This may in turn materially and adversely affect our business, reputation, financial condition, results of operations and prospects.

We may fail to protect our proprietary data and customer information.

We believe that our ability to compile and analyze sales data and customer data is critical to our success. We have built a large customer data base leveraging our extensive retail network and our information technology system. We obtain customer data primarily through our sale channels, including stores, websites and mobile apps, such as our end customers' personal information and transaction history. Concerns about our practices with regard to the collection, storage, use or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation, and as a result, our business, financial condition, results of operations and prospects may be materially and adversely affected. Furthermore, any actual or alleged leakage or unauthorized use of the customer data we have collected could result in decreases in the online traffic to purchase our products and the overall sales, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We have adopted security policies and measures to protect our proprietary data and customer information. However, advances in technology, the expertise of hackers, new discoveries in the field of cryptography or other events or developments could result in compromises or breaches of the technologies that we use to protect confidential information.

We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining and misappropriating our proprietary data and customer information. In addition, we have limited control or influence over the security policies or measures adopted by third party online payment service providers through which some of our end-customers may elect to make online purchases. Furthermore, our third party logistics service providers or courier companies may also violate their confidentiality obligations and illegally or improperly disclose or use information about our customers. Any negative publicity on our IT system's or online retail channels' safety or privacy protection mechanism and policy could have a material adverse effect on our public image and reputation.

Furthermore, the regulations in the PRC governing the use of personal data are improving. Any change in the regulations governing the use of such personal data could adversely affect our ability to use such data or discourage our end-customers from using our online retail sales channels, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our insurance coverage may not be sufficient to cover all of our potential losses.

We purchase and maintain insurance policies that we believe are in line with the industry practice and as required under the relevant laws and regulations. Please refer to the section headed "Business – Insurance" for details. However, we cannot assure you that our insurance policies will provide adequate coverage for all the risks in connection with our business operations. Consistent with customary practice in China, we do not carry any business interruption or litigation insurance. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our financial condition, results of operations and prospects. We may be required to bear our losses to the extent that our insurance coverage is insufficient.

Our acquisition strategies may not succeed.

From time to time, we may acquire businesses that we believe would benefit us in terms of product, supply chain, brand, geographical presence or distribution and retail network. Our ability to grow through acquisition depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain any necessary financing for such acquisitions. Even if we successfully complete an acquisition, we may experience difficulties in integrating the acquired business, its personnel or its products into our existing business; delays or failures in realizing the benefits of the acquired business or its products; diversion of our management's time and attention from other business concerns; higher costs of integration than we anticipated; or difficulties in retaining key employees of the acquired business who are necessary to manage the acquired business. As of the Latest Practicable Date, we have not engaged in any negotiations or entered into any letter of intent nor do we have any definitive and finalized understanding, commitment or agreement in relation to any potential acquisition.

However, if we undertake such acquisition but fail to either complete the acquisition or integrate the acquired businesses successfully into our existing operations, our share price, business, financial condition, results of operations and prospects may be materially and adversely affected.

We could be adversely affected as a result of our sales in countries that are subject to evolving economic sanctions by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities.

In recent years, international market conditions and the international regulatory environment have been increasingly affected by competition among countries and geopolitical frictions. Changes to national trade or investment policies, treaties and tariffs, fluctuations in exchange rates or the perception that these changes could occur, could adversely affect our expansion into overseas markets. The United States and other jurisdictions or organizations, including the European Union, the United Nations and Australia, have comprehensive or broad economic sanctions targeting sanctioned countries, or against industry sectors, groups of companies or persons, and/or organizations within such countries. These sanctions programs are reviewed or amended by sanctions authorities from time to time, and new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable. If we were required to pay penalties as a result of any sanctions violations, or alter our business to prevent violation of sanctions rules or regulations, it could adversely impact our results of operations.

In addition, economic sanctions laws imposed by the United States, European Union, and other jurisdictions may expose us to potential compliance risks. Sanctions laws prohibit business in or with certain countries or governments, and with certain persons or entities that have been sanctioned by the United States, the European Union or other governments and international or regional organizations, such as the United Nations Security Council. Although we mainly operate within the PRC, we from time to time have engaged or may engage in certain international business that could expose us to international sanction risks. It is possible that governmental authorities may in the future impose sanctions on us, particularly in the event that we fail to detect and, as appropriate, remediate such violations, and there can be no assurance that we can always be in compliance with all such sanctions laws in the future. We also cannot predict with certainty the interpretation or implementation of any sanctions laws or policies or their future changes. Any alleged violations of sanctions laws or engagement in sanctionable activities could adversely affect our reputation, business, results of operations and financial condition.

We face risks related to health epidemics, infectious diseases and other outbreaks, including the recent COVID-19 outbreak.

Our business could be materially and adversely affected by the outbreaks of contagious diseases such as SARS, H5N1 avian influenza, human swine flu or most recently, COVID-19, or another epidemic or outbreak. The COVID-19 outbreak in early 2020 has already caused, and may continue to cause, an adverse and prolonged impact on both economic and social conditions around the world, and the exacerbation, continuance or reoccurrence of COVID-19 could negatively affect our business operations.

In response to the COVID-19 outbreak, in January 2020, we recalled most of our production and manufacturing staff early to their posts during the Chinese New Year Holidays to resume our production of disinfectant and related products urgently needed to curb the outbreak and raised production capacity of our 84 disinfectant liquids, from 60 tons per day to 700 tons per day, and our antibacterial sachets, from 400 units per day to 5,000 units per day. We also dispatched 1,000 drivers to deliver these disinfectant products to the over 2,000 hospitals in over 300 cities.

Although we have not experienced major business disruptions as of the Latest Practicable Date, we may not have adequate and successful arrangements for labour, transportation and raw materials supply to sustain our production to meet customers' demand in case the COVID-19 outbreak continues. Furthermore, although we have closely tracked the health status of our employees, we cannot assure you that there will not be confirmed COVID-19 cases among our employees, in which event the operations of the affected facilities might need to be suspended and our staff might need to be quarantined. Moreover, an outbreak may directly affect our suppliers' production capacity and the transportation network, which may in turn affect our ability to obtain safe and high-quality raw materials at reasonable costs, manufacture and ship our products, as well as cause temporary closure of our manufacturing facilities. In addition, an outbreak may also increase our trade receivables turnover time due to government-mandated shutdowns or general economic slowdown, which may lead to an increase in the expected credit loss on our trade receivables.

In addition, the outbreak of infectious diseases on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect global economies. With the infected cases rising rapidly, many countries issued travel advices restricting travels to affected areas. Such policies have seriously undermined the local and cross-border business activities globally. The effect includes substantial decrease in the number of tourists, business exchange events and social functions and the slow-down of the economy in the affected countries and territories. The global financial markets have experienced extreme volatilities and the risk of the world suffering a recession has significantly increased. There is no assurance that the overall economic performance of the affected countries and territories will improve shortly even after the containment of the COVID-19 outbreak and the withdrawal of such policies and recommendations by governments to combat the virus. The outbreak, exacerbation, continuance or reoccurrence of the COVID-19 pandemic or any other infectious disease could have a continuous adverse impact on the economies around the world, which in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

We may be subject to war, terrorist attacks or force majeure events that are beyond our control.

Our business is subject to general economic and social conditions in China. Natural and manmade disasters, and other force majeure events which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought. An occurrence or recurrence of any of these events could result in material disruptions to our operations or a slowdown of China's economy, which could materially and adversely affect our business, financial condition, results of operations and prospects. Acts of war and terrorism may also injure our employees, cause loss of lives, damage our facility, disrupt our distribution channels and destroy our markets. The potential for war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot predict.

RISKS RELATING TO THE PRC

Changes in the PRC's economic, political and social conditions, as well as government policies and global trade practices, could have a material adverse effect on our business, financial condition, results of operations and prospects.

During the Track Record Period, substantially all of our assets were located in China, and substantially all of our revenue was derived from our business in China. Accordingly, our financial condition, results of operations and prospects are, to a material extent, affected by economic, political and legal developments in China.

The PRC economy differs from the economies of developed countries in many respects, including, among others, the degree of government involvement, investment control, level of economic development, growth rate, foreign exchange controls and resource allocation. Since 1978, the PRC government has implemented many economic and social reform measures. As a result, China is experiencing a transition from a planned economy to a more market-oriented economy. A substantial portion of productive assets in China, however, is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through means such as allocating resources, controlling payments of foreign-currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may materially and adversely affect us. For example, our financial condition and results of operations may be adversely affected by changes in applicable PRC tax laws that increase our effective tax rate, although such changes may benefit the overall PRC economy. Additionally, fluctuations in global trade practices and foreign policies resulting from potential trend worldwide that calls for protectionism trade policy and ongoing trade disputes between China and the United States may further affect the PRC economy. In January 2020, the "Phase One" agreement was signed between the United States and China on trade matters. However, it remains unclear what additional actions, if any, will be taken by the U.S. or other governments with respect to international trade agreements, foreign policies or other matters. The recent adverse changes in the overall relationship between China and the United States may also lead to restrictions on certain international business transactions and economic activities and may jeopardize our competitive advantage or prevent us from selling our products in certain countries. China has experienced rapid economic growth over the past few decades; however, its continued growth has faced downward pressure since the second half of 2008 and its annual GDP growth rate has declined from 9.5% in 2011 to 6.1% in 2019, according to the National Bureau of Statistics of China (中華人民共和國國家統計局). In the first quarter of 2020, the GDP growth rate has further slowed down to negative 6.8% due to the COVID-19 outbreak. There is no assurance that the economic growth in the PRC will recover in the foreseeable future or at all. Our business, financial position, results of operations and prospects may be materially and adversely affected by PRC government's economic, political and social policies, including those to our industry.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us and limit the legal protection available to investors.

Our business and operations are primarily conducted in China and are governed by PRC laws and regulations. In addition, our offshore holding companies and certain transactions between them may be subject to various PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have limited weight as precedents. The PRC legal system continues to evolve rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies. In recent years, the PRC government implemented a series of new laws, regulations and policies which imposed stricter standards with respect to, among other things, quality and safety control and supervision and inspection of enterprises engaged in production of household care products. Please refer to the section headed "Regulatory Overview – Regulations in relation to Producing and Selling Our Products" for details. If the PRC government continues to impose stricter regulations on the household care industry, we could face higher costs in order to comply with those regulations, which could impact our profitability. Moreover, we cannot predict the effect of future developments in the PRC legal system. Such unpredictability towards our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations. Further, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of any violation of these policies and rules until after such violation has occurred. Furthermore, the legal protections available to us and our investors under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and may result in substantial costs and the diversion of resources and management attention.

More stringent restrictions on the remittance of Renminbi into and out of the PRC and governmental control over currency conversion may limit our ability to pay dividends and other obligations.

The Renminbi is not currently a freely convertible currency, as the PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our payments from customers in Renminbi and will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares, and to fund our business activities outside China. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

Under China's existing foreign exchange regulations, payment of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE or its local branches by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where the Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may take measures at its discretion from time to time to restrict access to foreign currencies for current account transactions. Since 2015, in response to China's declining foreign currency reserves, the PRC government has placed increasingly stringent restrictions on the convertibility of the Renminbi into foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China. Any existing and future restrictions on currency exchange may limit our ability to purchase raw materials outside of China or otherwise fund any future business activities that are conducted in foreign currencies, such as the Canadian dollar.

Fluctuations in exchange rates of the Renminbi could result in foreign currency exchange losses.

The exchange rate of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in China's and international political and economic conditions, as well as supply and demand in the domestic market. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policies goals.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a significant appreciation of Renminbi against the U.S. dollar, the Hong Kong dollar or other foreign currencies.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

We may be deemed to be a PRC tax resident under the EIT Law and our global income may be subject to a 25% PRC enterprise income tax.

We are a company incorporated under the laws of Cayman Islands. Pursuant to the EIT Law, if an enterprise incorporated outside the PRC has its "de facto management bodies" within China, such enterprise may be deemed a "PRC resident enterprise" for tax purposes and be subject to an enterprise income tax rate of 25% on its global income. "De facto management bodies" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009 and July 2011, the SAT issued several circulars to clarify certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the "de facto management body" for foreign enterprises that are not controlled by PRC enterprises. Therefore, it remains unclear how PRC tax authorities will treat a case like ours. If we are regarded as a PRC resident enterprise by the PRC tax authorities, we would have to pay PRC enterprise income tax at a rate of 25% for our entire global income, which may materially and adversely affect our profit and hence our retained profit available for distribution to our Shareholders.

Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under the PRC tax laws.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are "non-resident enterprises", which do not have an establishment or place of business in China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China.

Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realised by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise as described under the subsection headed "– We may be deemed to be a PRC tax resident under the EIT Law and our global income may be subject to a 25% PRC enterprise income tax", dividends we pay with respect to our Shares, or the gain realised from the transfer of our Shares, may be treated as income derived from sources within China, and as a result be subject to the PRC income taxes described above. However, our Shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties may apply to the PRC tax authorities to be recognized as eligible for such benefits in accordance with the Announcement of the SAT on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》) (the "Circular 60"), which was issued on August 27, 2015 and was last amended on June 15, 2018. According to the Circular 60, the preferential tax rate does not automatically apply. With respect to dividends, the "beneficial owner" tests under Announcement of the SAT on Issues regarding Beneficial Owner under Tax Treaties (關於稅收協定中「受益所有人」有關問題的公告) (the "Circular 9") will also apply. If determined to be ineligible for the foregoing tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would subject to higher PRC tax rates. In such cases, the value of your investment in our Shares may be materially and adversely affected.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands and operate our core businesses through our operating subsidiaries in China. As a result, the availability of funds to pay dividends to our Shareholders depends upon dividends received from these subsidiaries. If our subsidiaries incur debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted. The PRC laws and regulations require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. The PRC laws and regulations also require foreign-invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. As a result, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

Our PRC resident Shareholders are subject to potential exposure to personal liability as a result of the establishment of, control over or investment in offshore special purpose companies.

SAFE Circular 37, requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle". Pursuant to SAFE Circular 37, "control" refers to the act through which a PRC resident obtains the right to carry out business operation of, to gain proceeds from or to make decisions on a special purpose vehicle by means of, among others, shareholding entrustment arrangement. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as change of shareholders of the special purpose vehicle, increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfil the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和直接投資外匯管理政策的通知》) released on February 13, 2015 by the SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015.

We may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals, and may not always be able to compel our beneficiaries to comply with the requirements of the SAFE Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by the SAFE Circular 37 or other related regulations. Under the relevant rules, failure to comply with the registration procedures set forth in the SAFE Circular 37 may result in restrictions on the foreign exchange activities of the relevant PRC enterprise and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

Any deficiencies in China's internet infrastructure could impair our ability to sell products over our online sales network, which could cause us to lose end-customers.

We are increasingly dependent on online sales through our self-operated online stores and third party online distributors. These sales depend on the performance and reliability of the internet infrastructure in China. The availability of our self-operated online stores and third party online distributors depends on telecommunications carriers and other third party providers for communications and storage capacity, including bandwidth and server storage, among other things. If we or any third party e-commerce platform providers are unable to enter into and renew agreements with these providers on acceptable terms, or if any of our or their existing agreements with such providers are terminated as a result of our or their breach or otherwise, as applicable, our ability to sell products to our end-customers online could be adversely affected. Service interruptions prevent customers from accessing our online sales channels and placing orders, and frequent interruptions could frustrate customers and discourage them from attempting to place orders, which could cause us to lose end-customers and harm our operating results.

You may experience difficulty in effecting service of legal process, enforcing foreign judgements or bringing original actions in China or Hong Kong based on foreign laws against us, our Directors and senior management.

We are incorporated in the Cayman Islands. Substantially all of our assets, and a significant portion of the assets of our Directors are located in China. As a result, it may not be possible for investors to effect service of process upon us or persons who reside in China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgements made by courts of most other jurisdictions.

On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "2006 Arrangement"), pursuant to which a party with a final judgement rendered by a Hong Kong court requiring payment in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in China, and vice versa. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgement rendered by a Hong Kong court in China if the parties in dispute have not entered into a choice of court agreement in writing under the 2006 Arrangement.

On January 18, 2019, the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "2019 Arrangement") was signed between the Supreme People's Court of China and Hong Kong government.

Comparing with the 2006 Arrangement, the 2019 Arrangement establishes a bilateral legal mechanism with greater clarity and certainty for reciprocal recognition and enforcement of judgements between Hong Kong and China in civil and commercial matters under both Hong Kong and PRC law. The 2019 Arrangement will apply to judgements made by the courts of Hong Kong and China on or after its commencement date, which will be announced by Hong Kong and China after necessary procedures of both places have been completed. The 2006 Arrangement will be superseded upon the effective date of 2019 Arrangement. However, the 2006 Arrangement will remain applicable to a "choice of court agreement in writing" as defined in the 2006 Arrangement which is entered into before the 2019 Arrangement taking effect.

Although the 2019 Arrangement has been signed, it remains unclear as to its effective date and uncertain as to the outcome and effectiveness of any action brought under the 2019 Arrangement.

The PRC regulations of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the net proceeds of the Global Offering to make additional capital contributions or loans to our major PRC subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the net proceeds of the Global Offering, are subject to PRC regulations and such loans must be registered with the local branch of SAFE. In addition, our capital contributions to our major PRC subsidiaries are subject to the requirement of making necessary filings in the enterprise registration system and the National Enterprise Credit Information Publicity System, and registration with other governmental authorities in China. We cannot assure you that we will be able to obtain these approvals or registrations on a timely basis, or at all. If we fail to obtain such approvals or registrations, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be materially and adversely affected. This may materially and adversely affect our PRC subsidiaries' liquidity, their ability to fund their working capital and expansion projects, and their ability to meet their obligations and commitments. As a result, this may have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations among our Company, and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering.

The trading price of the Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

There will be a gap of several days between pricing and trading of our Shares, and the price of our Shares when trading begins could be lower than the offer price.

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and Controlling Shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Controlling Shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is different under the laws of the Cayman Islands when compared with the laws of Hong Kong or other jurisdictions, you may have difficulties in protecting your shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles and by the Cayman Companies Act and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority Shareholders may be located. See "Appendix III – Summary of the Constitution of our Company and Cayman Company Law" in this Prospectus.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third-party sources, including the industry expert reports, contained in this prospectus.

This prospectus, particularly the sections headed "Business" and "Industry Overview," contains information and statistics relating to the household care and personal care market. Such information and statistics have been derived from a third-party report commissioned by us and publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this prospectus being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. You should consider carefully the importance placed on such information or statistics.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

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

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

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Since substantially all of our Company's business operations and management are located in the PRC, there is no need to appoint executive Directors based in Hong Kong. As all of our executive Directors currently reside in the PRC, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

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

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Ms. Chen Danxia (陳丹霞), our executive Director, chairman and our Chief Executive Officer and Ms. Leung Shui Bing (梁瑞冰), our joint company secretary. Both of the authorized representatives: (i) are, and will be, readily contactable by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange; (ii) have the means to contact all the Directors (including the non-executive Directors and the independent non-executive Directors) promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters; and (iii) are to act at all times as the principal channel of communication between the Stock Exchange and us;

(b) each of the authorized representatives has means to contact all Directors (including the non-executive Director and the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. We will implement a policy whereby:

  (i) each Director will provide his mobile phone number, office phone number, email address and facsimile number to the authorized representatives;

  (ii) each Director will provide his phone numbers or means of communication to the authorized representatives when he is travelling; and

  (iii) each Director will provide his/her mobile phone number, office phone number, email address and facsimile number to the Stock Exchange;

(c) in compliance with Rule 3A.19 of the Listing Rules, we have retained HeungKong Capital Limited to act as our compliance adviser who will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing on the Listing Date and ending on the date that our Company publishes our financial results for the first full financial year after the Listing Date pursuant to Rule 13.46 of the Listing Rules;

(d) any meeting between the Stock Exchange and our Directors may be arranged through the authorized representatives, the Directors and/or our compliance adviser within a reasonable time frame;

(e) our Company will inform the Stock Exchange as soon as practicable in respect of any change in our Company's authorized representatives;

(f) our Directors who are not ordinarily resident in Hong Kong possess or will apply for valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable notice; and

(g) we will retain a Hong Kong legal adviser to advise us on the application of the Listing Rules and other applicable Hong Kong laws and regulations after our Listing.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who by virtue of his or her academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

We have appointed Ms. Wang Dong (王冬) ("**Ms. Wang**") as one of the joint company secretaries. Ms. Wang has extensive knowledge about our business operations and corporate culture and has extensive experience in matters concerning the Board and our corporate governance. Our Directors consider that it would be in the best interests of our Company and the corporate governance of our Group to have Ms. Wang as the Company's joint company secretary as she possesses day-to-day knowledge of our Group's affairs, and is familiar with our Group's business operations and management. She has been working closely with the management of the Company since July 2012. For details of Ms. Wang's biography, please refer to the section headed "Directors, Senior Management and Employees – Senior Management" in this prospectus. However, Ms. Wang does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules and may not be able to solely fulfill the requirements as stipulated under Rule 3.28 and Rule 8.17 of the Listing Rules. As a result, we have appointed Ms. Leung Shui Bing (梁瑞冰) ("**Ms. Leung**"), an associate member of The Hong Kong Institute of Chartered Secretaries, who meets the requirements under Rule 3.28 of the Listing Rules, to act as the other joint company secretary and to provide assistance to Ms. Wang for an initial period of three years from the Listing Date so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the Listing Date, on the condition that Ms. Leung is engaged as a joint company secretary and provides assistance to Ms. Wang during this period. The waiver would be immediately revoked if: (a) Ms. Leung ceased to provide assistance to Ms. Wang as the joint company secretary during the three years following the Listing; or (b) if there are material breaches to the Listing Rules by our Company. In addition, Ms. Wang will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the Listing Date. Our Company will further ensure that Ms. Wang has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Before the expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Ms. Wang to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied. We and Ms. Wang would then endeavor to demonstrate to the Stock Exchange's satisfaction that Ms. Wang, having had the benefit of Ms. Leung's assistance for three years, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules and there is no need to further apply for a waiver.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue after the Listing, certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules from strict compliance with the announcement, circular and independent shareholders' approval requirements (as applicable) in respect of certain non-exempt continuing connected transactions. Please refer to the section headed "Connected Transactions" in this prospectus.

WAIVER FROM STRICT COMPLIANCE WITH RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1)(b) IN RELATION TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

The auditors and reporting accountants of our Company have prepared the accountants' report of our Group for each of the three financial years ended December 31, 2019 and the nine months ended September 30, 2020.

Rule 4.04(1) of the Listing Rules requires our Company to include in the prospectus an accountants' report covering the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of the prospectus or such shorter period as may be acceptable to the Stock Exchange.

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in the prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of our Group during each of the three financial years immediately preceding the issue of the prospectus. According to paragraphs 31(1) and (3) of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in the prospectus a report by auditors of our Company with respect to the financial results of our Group for each of the three financial years immediately preceding the issue of the prospectus.

Pursuant to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

Guidance Letter HKEx-GL25-11 issued by the Stock Exchange has provided the conditions for granting a waiver from strict compliance with Rule 4.04(1) of the Listing Rules as follows:

(1) the applicant must list on the Stock Exchange within three months after the latest year end;

(2) the applicant must obtain a certificate of exemption from the SFC on compliance with the requirements of Section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(3) a profit estimate for the latest financial year (which must comply with Rules 11.17 to 11.19 of the Listing Rules) must be included in the prospectus or the applicant must provide justification why a profit estimate cannot be included in the prospectus; and

(4) there must be a directors' statement in the prospectus that there is no material adverse change to our Company's financial and trading positions or prospect with specific reference to the trading results from the end of the stub period to the latest financial year end.

Pursuant to the relevant requirements set forth above, our Company is required to produce three full years of audited accounts for the years ended December 31, 2018, 2019 and 2020. However, an application was made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver was granted by the Stock Exchange on the conditions that:

(i) our Company's shares will be listed on the Stock Exchange on or before March 31, 2021;

(ii) our Company will obtain a certificate of exemption from the SFC on compliance with the relevant Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements;

(iii) a profit estimate for the financial year ended December 31, 2020 will be included in this prospectus; and

(iv) there will be a directors' statement in this prospectus that there is no material adverse change to our Company's financial and trading positions or prospects with specific reference to the trading results from September 30, 2020 to December 31, 2020, being the latest financial year end of our Company.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and a certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

(i) the particulars of the exemption are set out in this prospectus; and

(ii) this prospectus will be issued on or before February 26, 2021 and our Company's shares will be listed on the Stock Exchange on or before March 31, 2021, i.e. three months after the latest financial year-end.

The applications to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance were made on the grounds, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interest of the investing public given the followings:

(i) there would not be sufficient time for our Company and our reporting accountants, Deloitte Touche Tohmatsu, to complete the audit work on the full financial information for the year ended December 31, 2020 for inclusion in this prospectus. If the financial information is required to be audited up to December 31, 2020, our Company and our reporting accountant would have to undertake a considerable amount of work to prepare, update and finalize the financial information to be included in this prospectus and to update the relevant disclosures in this prospectus to cover such additional period; and

(ii) our Company has included in this prospectus (a) the Accountants' Report covering the three years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2020 as set out in Appendix I to this prospectus, (b) a profit estimate for the full financial year ended December 31, 2020 in Appendix IIB to this prospectus; and (c) information regarding our Group's recent developments subsequent to the Track Record Period and up to the Latest Practicable Date. As such, our Company is of the view that all material information that is necessary for the Shareholders and the potential investors to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group has been disclosed in this prospectus.

In particular, our Directors confirmed that all information necessary for the public to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group has been disclosed in this prospectus, and that, as such, the granting of the certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will not prejudice the interest of the investing public. Furthermore, our Directors and the Joint Sponsors, after conducted sufficient due diligence, confirmed that there had been no material adverse change in the financial or trading positions or prospects of our Group since September 30, 2020 and up to the date of this prospectus, and that there had been no event which will materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus, the profit estimate for the year ended December 31, 2020 as set out in Appendix IIB to this Prospectus, the section headed "Financial Information" in this prospectus and other parts of this prospectus since September 30, 2020 and up to the date of this prospectus.

DIRECTORS' RESPONSIBILITY STATEMENT

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

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

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

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

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

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

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

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set forth in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and in the Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the section headed "Structure of the Global Offering" in this prospectus.

RESTRICTIONS ON OFFERS AND SALES OF SHARES

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

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

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our equity or debt securities is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, March 10, 2021. The Shares will be traded in board lots of 500 Shares each. The stock code of the Shares will be 6601.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

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

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

REGISTER OF MEMBERS AND STAMP DUTY

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

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

CSRC APPROVAL AND OTHER RELEVANT PRC AUTHORITIES APPROVAL

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

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in RMB and US$ have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following exchange rates: RMB0.8306: HK$1.00 and US$1.00: HK$7.7742.

No representation is made that any amounts in RMB or US$ were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

ROUNDING

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

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail, provided that if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

OTHER

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

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Chen Danxia (陳丹霞)	No. 29, Huayuan 1 Street Yuexiu District Guangzhou, Guangdong Province China	Chinese
Xie Rusong (謝如松)	No. 30, Land 491, Huanlin East Road Pudong New Area Shanghai China	Chinese
Zhong Xuyi (鍾胥易)	No. 2, Luju Road, Liwan District Guangzhou, Guangdong Province China	Chinese
Non-Executive Director		
Chen Zexing (陳澤行)	Room 101, 1/F, Building D9 No. 18, Boya First Street, District B Yihe Golf Manor, Tongtai Road Yongping Street, Baiyun District Guangzhou, Guangdong Province China	Chinese
Independent Non-Executive Directors		
De-Chao Michael Yu (俞德超)	Building 50 Fengqing Shui'an Gardens Suzhou Industrial Park Jiangsu Province China	American
Guo Sheng (郭盛)	A10, Biyun Villa No. 700, Biyun Road Pudong New Area Shanghai China	Chinese
Chan Wan Tsun Adrian Alan (陳弘俊)	Flat A, 18/F, Block 6 Cavendish Heights 33 Perkins Road Jardine's Lookout Hong Kong	Chinese

Further information about the Directors and other senior management members are set out in the section headed "Directors, Senior Management and Employees" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Morgan Stanley Asia Limited** Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Global Coordinators	**Morgan Stanley Asia Limited** Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Bookrunners	**Morgan Stanley Asia Limited** *(in relation to the Hong Kong Public Offering only)* Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong

Morgan Stanley & Co. International plc
(in relation to the International Offering only)
25 Cabot Square Canary Wharf
London E14 4QA
United Kingdom

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Joint Lead Managers	**Morgan Stanley Asia Limited** *(in relation to the Hong Kong Public Offering only)* Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong

Morgan Stanley & Co. International plc
(in relation to the International Offering only)
25 Cabot Square Canary Wharf
London E14 4QA
United Kingdom

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1-2
13/F United Centre
No. 95 Queensway
Admiralty
Hong Kong

Legal Advisers to Our Company	*As to Hong Kong and U.S. laws:* **Simpson Thacher & Bartlett** 35/F, ICBC Tower 3 Garden Road Central Hong Kong *As to PRC laws:* **Commerce & Finance Law Offices** 6/F, NCI Tower A12 Jianguomenwai Avenue Beijing PRC *As to Cayman Islands laws:* **Conyers Dill & Pearman** Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands *As to Vietnam laws:* **ZICOlaw (Vietnam) Limited** Unit 2, Level 20 Bitexco Financial Tower 2 Hai Trieu, District 1 Ho Chi Minh City Vietnam
Legal Advisers to the Joint Sponsors and the Underwriters	*As to Hong Kong and U.S. laws:* **Paul Hastings** 21-22/F, Bank of China Tower 1 Garden Road Central Hong Kong *As to PRC law:* **King & Wood Mallesons** 25th Floor, Guangzhou CTF Finance Centre No. 6 Zhujiang East Road Zhujiang New Town, Tianhe District Guangzhou, Guangdong Province PRC

Auditor and Reporting Accountants	**Deloitte Touche Tohmatsu** *Registered Public Interest Entity Auditor* 35/F, One Pacific Place 88 Queensway Hong Kong
Industry Consultant	**China Insights Industry Consultancy Limited** 10F, Block B, Jing'an International Center 88 Puji Road, Jing'an District Shanghai China
Receiving Banks	**Standard Chartered Bank (Hong Kong) Limited** 18/F Floor, Standard Chartered Tower 388 Kwun Tong Road Kowloon Hong Kong **Bank of China (Hong Kong) Limited** Bank of China Tower 1 Garden Road Hong Kong

Registered Office	**Conyers Trust Company (Cayman) Limited** Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head Office in the PRC	No. 2, Luju Road, Liwan District Guangzhou, Guangdong Province China
Principal Place of Business in Hong Kong	31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Company's Website	**www.cheerwin.com** *(The information on the website does not form part of this prospectus)*
Company Secretary	**Wang Dong (王冬)** Room 2302, No. 33, Yuanyun Street Dongchuan Road, Yuexiu District Guangzhou, Guangdong Province China **Leung Shui Bing (梁瑞冰)** *(ACIS; ACS)* TMF Hong Kong Limited 31/F, Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong
Authorized Representatives	**Chen Danxia (陳丹霞)** No. 29, Huayuan 1 Street Yuexiu District Guangzhou, Guangdong Province China **Leung Shui Bing (梁瑞冰)** *(ACIS; ACS)* TMF Hong Kong Limited 31/F, Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong

Audit Committee	Mr. Chan Wan Tsun Adrian Alan *(Chairman)* Dr. De-Chao Michael Yu Mr. Guo Sheng
Remuneration Committee	Mr. Guo Sheng *(Chairman)* Dr. De-Chao Michael Yu Ms. Chen Danxia
Nomination Committee	Ms. Chen Danxia *(Chairman)* Dr. De-Chao Michael Yu Mr. Guo Sheng
The Cayman Islands Principal Share Registrar and Transfer Office	**Conyers Trust Company (Cayman) Limited** Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance Advisors	**HeungKong Capital Limited** Suite 622, Ocean Centre Harbour City Tsim Sha Tsui Kowloon, Hong Kong

Principal Banks

Bank of China Limited
Fangcun Sub-branch
97 West Fang Cun Avenue
Guangzhou
Guangdong Province
PRC

Industrial and Commercial Bank of China Limited
Liwan Sub-branch
63 Nan An Road, Liwan District
Guangzhou
Guangdong Province
PRC

Agricultural Bank of China Limited
Lijingyuan Sub-branch
1/F, 8 Zhong Shan Ba Road
Liwan District
Guangzhou
Guangdong Province
PRC

Bank of China (Hong Kong) Limited
2/F, Wing On House
71 Des Voeux Road Central
Hong Kong

Nanyang Commercial Bank, Limited
Kowloon Bay Branch
Shop 2, G/F, Shun Fat Industrial Building
17 Wang Hoi Road, Kowloon Bay
Kowloon
Hong Kong

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

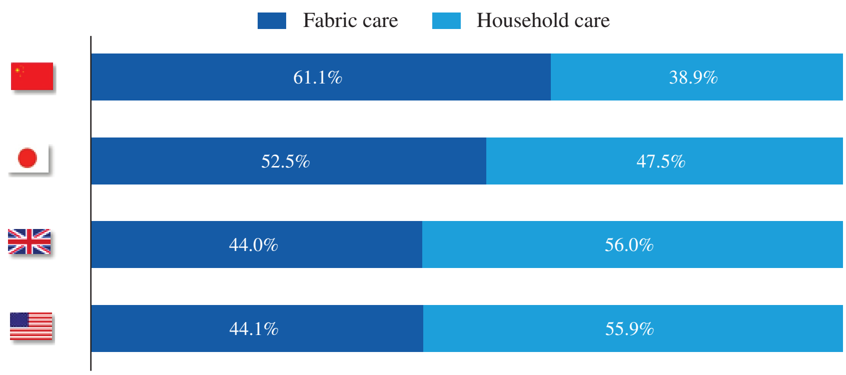
OVERVIEW OF CHINA'S HOUSEHOLD CHEMICAL INDUSTRY

China's household chemical industry covers four important segments of daily necessities in people's lives, including household care, fabric care, personal care and pet care. In the past decade, with the increase of per capita disposable income due to the improvement of China's economic level, people's demand for quality of life is growing, which promotes the consumption upgrade and the segmentation of household chemical products, which further stimulates the potential growth of China's household chemical market. Retail sales value of China's household chemical industry increased from RMB402.3 billion in 2015 to RMB583.3 billion in 2019, with a CAGR of 9.7%. In the future, on the basis that COVID-19 has been effectively controlled in China since 2020Q2, its retail sales value is expected to further increase to RMB887.3 billion in 2024, with a CAGR of 8.8%.

By retail sales value, personal care, fabric care, household care and pet care accounted for 78.6%, 12.3%, 7.9% and 1.2% of China's household chemical industry, respectively in 2019. Among which, pet care, household care and personal care markets in China are the three fastest-growing segments. It is estimated that the CAGRs of the pet care, household care and personal care markets in terms of retail sales value between 2019 and 2024 will be 17.8%, 8.7% and 8.9%, respectively.

Diversification, segmentation and premiumization of China's household chemical market will be the three main directions of future growth. For example, in the United States, the market size of household care was about 1.3 times of that of fabric care while the retail sales value of household care in China was only 63.7% of that of fabric care in 2019. In terms of per capita expenditure, the consumption level of household care products in the United States was 11 times that of China in 2019, so there is huge room for growth in China's household care market.

Consumption structure of household care and fabric care in terms of retail sales value, key global markets, 2019



Source: CIC Report

China is the largest e-commerce market in the world. In recent years, the prevalence of China's mobile Internet and upgrading of logistics technology and payment technology have promoted the continuous and vigorous development of China's e-commerce. The number of mobile Internet users in China has increased from 620 million to more than 850 million between 2015 and 2019. During the same period, the number of online shoppers in China has increased from 410 million to more than 640 million, and e-commerce GMV has increased from RMB21.8 trillion to RMB34.8 trillion. Thanks to the rapid development of China's e-commerce platform, online retail channel has become the fastest-growing sales channel in China's household chemical industry. The penetration of online retail sales in the total sales of China's household chemical industry has increased from 17.0% in 2015 to 28.3% in 2019, with a CAGR of 24.7%. With the further prevalence of online shopping and the technological development, the proportion is expected to reach 38.4% in 2024, with CAGR of 15.6% of online retail sales value.

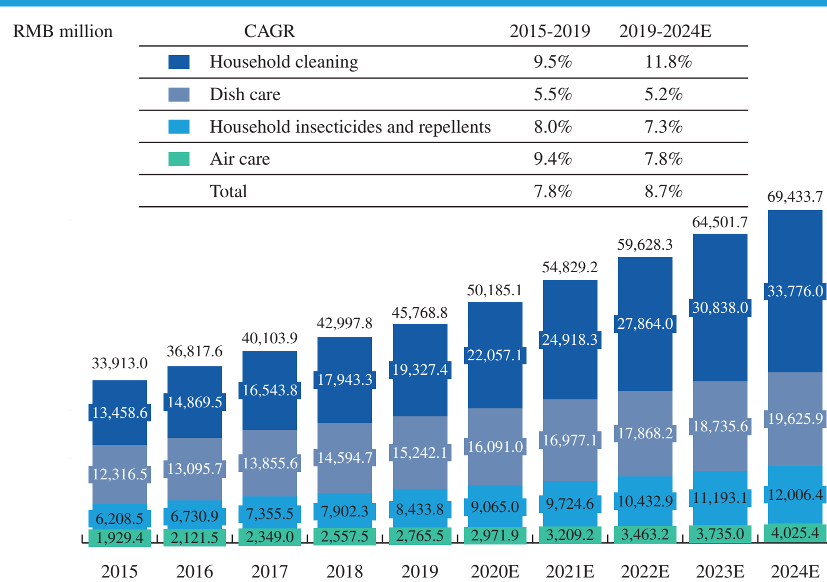
At the same time, the prevalence of China Mobile Internet has also promoted the development of online marketing. Compared with traditional marketing methods, online marketing has the advantages of precise targeting, large traffic, high efficiency and strong engagement, and has become the most important marketing channels in China. China's household chemical enterprises use the social networks, video platforms, e-commerce platforms and others for online marketing, such as social network in-feed advertising, mini programs, official online accounts, private channel, KOL marketing, live streaming, etc., which significantly enhanced brand exposure and purchase conversion rate, and promoted the continuous upgrading and market education.

OVERVIEW OF CHINA'S HOUSEHOLD CARE MARKET

According to the report by CIC, China's household care market includes household cleaning, dish care products, household insecticides and repellents and air care. Specifically, household cleaning in the industry typically refers to the household chemicals used for the cleaning of indoor environment, i.e., the surfaces of wall, table, floor, furniture or home appliances, and mainly includes toilet cleaner, kitchen cleaner, disinfectant, and emerging household cleaning products such as washing machine tank cleaner, air conditioning cleaner, floor cleaner, polish, pipe cleaner, glass cleaner, window mesh cleaner, and descaler. Dish care mainly includes automatic dishwashing products and hand dishwashing products. Household insecticides and repellents mainly include mosquito coils, bait, aerosol insecticide, liquid vaporizer, vaporizing mat, outdoor portable products. Air care mainly includes gel air fresheners, aerosol or spray air fresheners, and emerging air care products such as deodorant and room aromas.

China has the world's second largest household care market, second only to the United States. The retail sales value of China's household care industry increased from RMB33.9 billion in 2015 to RMB45.8 billion in 2019, with a CAGR of 7.8%, which was much higher than the global growth rate of 3.6%. It is expected that retail sales value of the industry will further grow to RMB69.4 billion in 2024, with a CAGR of 8.7% since 2019.

Size of the household care market in terms of retail sales value by product category, China, 2015-2024E



Source: CIC Report

Analysis on the drivers of China's household care industry:

Sustained urbanization process: China's sustained urbanization process has resulted in the growth of urbanization rate from 55.6% in 2015 to 60.6% in 2019, which is expected to reach 65.5% in 2024, according to the National Bureau of Statistics of China and CIC Report. Increasing urbanization has changed people's lifestyles and consumption patterns, and improved the living environment and abundance of household appliances, which further leads to the growth of demand for household care products.

Continuous improvement of consumption power and changes of awareness: According to the National Bureau of Statistics of China and CIC Report, the per capita disposable income of Chinese residents has increased steadily, from RMB21,966 in 2015 to RMB30,733 in 2019, which is expected to further increase to RMB45,358 in 2024, with a CAGR of 8.1% from 2019 to 2024. The improvement of consumption power has made residents from all tiers cities more willing to pay for daily necessities. In 2019, the annual per capita consumption value of household care products in China was USD4.8, much lower than that in the United States (USD51.7). The residents also pay more attention to improving indoor environment, saving time on housework (convenient handling of housework) and ensuring personal health and hygiene. In addition, COVID-19 has significantly changed people's long-term consumption habits. Improvement of consumers' awareness of personal hygiene and health protection and more emphasis on household hygiene will promote the market growth, especially products relating to the concept of "disinfection and sterilization".

Segmentation of product categories: further promoting the growth of industry through the segmentation of application scenarios and demographics groups, and cultivating the consumption habits use through consumer education. Taking household cleaning as an example, different cleaning scenarios have different functional requirements for surface cleaner products, and the segmented products such washing machine tank cleaners, window mesh cleaners and pipe cleaners, can help consumers complete the cleaning task more efficiently and conveniently. The market size of China's children-friendly insecticides and repellents has increased from RMB385.2 million in 2015 to RMB899.6 million in 2019, which is expected to reach RMB2,170.1 million in 2024, and its CAGR is much higher than that of general products. Taking air care as an example, products designed for a variety of emerging application scenarios have been launched in the market, such as formaldehyde removal during decoration, odor removal from shoes and odor removal in refrigerators.

Innovation in product form and efficacy: Household care enterprises have introduced new forms (replacing traditional forms) of household care products and derived upgraded functions through technological innovation. For example, the market of household insecticides and repellents has been upgraded from traditional products such as mosquito coils to liquid vaporizer/vaporizing mats, and then to room temperature mosquito proof nets and mosquito-proof wipes. Market size of China's new forms of household insecticides and repellents has increased from RMB2,029.0 million in 2015 to RMB3,720.1 million in 2019, which is expected to reach RMB6,866.1 million in 2024. The corresponding CAGR from 2019 to 2024 (13.0%) is much higher than that of household insecticides and repellents in traditional forms (1.7%).

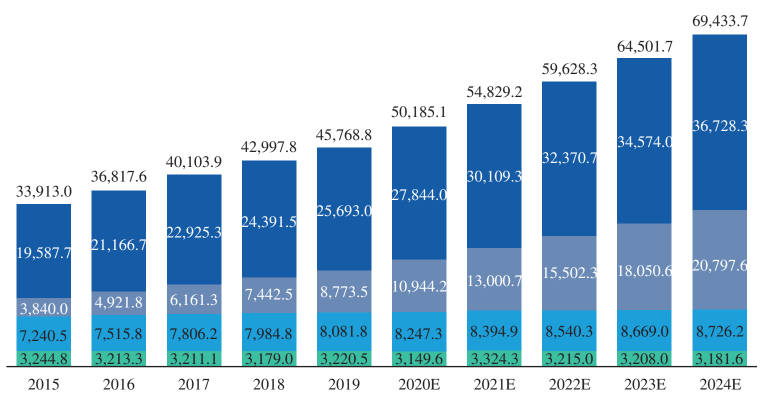
Innovation in marketing channels: Household care enterprises have accelerated the upgrading and prevalence of household care products through increasingly popular marketing means such as social networks and private channels traffic, short videos, social e-commerce (KOL marketing). With the help of Weixin group and Moments and mini programs, household care enterprises can quickly and accurately promote the brand concept and introduce new product to consumers, so as to effectively carry out brand education and improve the sales volume with low customer acquisition cost.

Rapid growth of online channels: The percentage of online sales channels of household care products in China is 19.2%, which was still at a low level compared with consumer electronics (45.8%), household appliances (44.5%), apparel and footwear (34.3%), and personal care (30.3%) in 2019, and there is a huge room for the development of online sales. The percentage of online sales channels for China's household care industry has increased from 11.3% in 2015 to 19.2% in 2019, with an average compound annual growth rate of 22.9%. With further prevalence of online shopping and continuous development of e-commerce technology, the percentage is expected to reach 30.0% in 2024, and the CAGR of online retail sales will be 18.8% since 2019.

Retail sales value of the household care market by sales channel[1], China, 2015-2024E

RMB million

CAGR	2015-2019	2019-2024E
Modern retailers	7.0%	7.4%
Online retailers	22.9%	18.8%
Traditional retailers	2.8%	1.5%
Other sales channels	-0.2%	-0.2%
Total	7.8%	8.7%



Source: CIC Report

Note:

1. Modern retailers refer to chain hypermarkets, supermarkets and convenience stores, while traditional retailers refer to non-chain grocery stores. Other sales channels include commercial channels, direct sales, cosmetics stores and department stores, etc.

Analysis of the future trend of household care industry in China

Continuous product innovation: the household care enterprises will continue to innovate products and expand their product categories, driven by increasingly fierce competition and changing consumer demand. The upgrading of household care product forms, segmentation of application scenarios, and improvement of efficacy will further meet the increasingly diversified and refined needs of consumers.

Household care products will be deeply integrated with smart home concept: prevalence of the smart home is expected to be realized in near future. With strong technological innovation and product design capabilities, household care manufacturers are committed to developing modern cleaning products suitable for smart appliances to create a better living environment for the consumers.

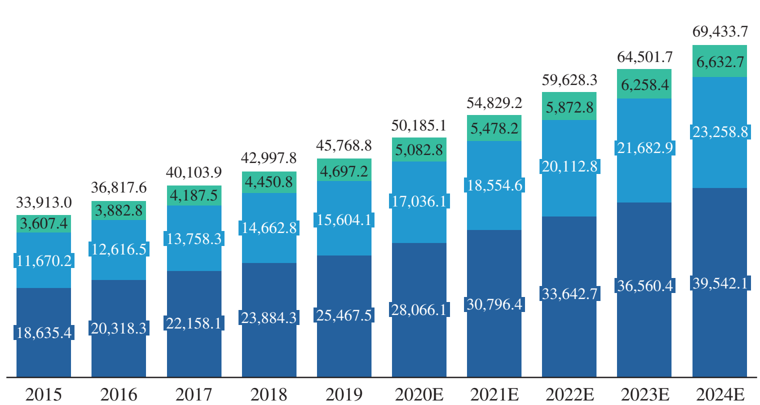
Mid-to-high-end household care products will have more development opportunities: Driven by the steady growth of the Chinese economy, gradually improving purchasing power and sustainable consumption upgrades in China are expected to further promote the development of mid-to-high-end products in the household care industry. With the improvement of economic conditions, the consumers are increasingly pursuing for the better living environment. In addition, Chinese mid-to-high-end customers usually have higher requirements for household care products with effectiveness, safety, convenience and environmental protection features.

The penetration rate in lower-tier cities has continued to increase with huge growth potential: in recent years, consumers have continued to spend more on household care products in cities at all tiers. In China's lower-tier cities, household care products are still at the early stage of, with a relatively low penetration rate. In 2019, the penetration rates of household cleaning products, dish care products, household insecticides and repellents products and air care products in lower-tier cities were 34.6%, 63.3%, 60.2% and 15.8%, lower than that in tier-1 cities, 61.0%, 79.3%, 67.9%, 25.4%, and that in tier-2 cities, 44.2%, 70.9%, 63.4%, 20.6%, respectively. With the increasing focus on a hygienic and comfortable living environment, the penetration rate of these four types of household care products in lower-tier cities is expected to increase further reaching 38.6%, 70.1%, 67.6% and 17.7%, respectively.

Size of the household care market in terms of retail sales value by city tier, China, 2015-2024E

RMB million

CAGR	2015-2019	2019-2024E
Tier-1 cities	6.8%	7.1%
Tier-2 cities	7.5%	8.3%
Lower-tier cities	8.1%	9.2%
Total	7.8%	8.7%



Source: CIC Report

In the future, China's household care industry will be further integrated, while leading companies are committed to building a one-stop lifestyle service platform: leading companies in the market with scale advantages and R&D capabilities will use their advantages to further consolidate the market and increase market share. In 2019, the retail sales value of top five market participants as a percentage of total household care market in China was 34.0%, while the number in the United States was over 60%. By reducing operating costs and providing customers with more advanced, differentiated and diversified products, leading companies can enhance consumers' stickiness and brand loyalty, and build a one-stop life service platform for Chinese residents.

Household care products companies will use more digital platforms to improve the overall operational efficiency: Digitalisation enables companies to monitor marketing, supply chain, sales, product development in a timely and effective manner, helping companies make precise decisions timely.

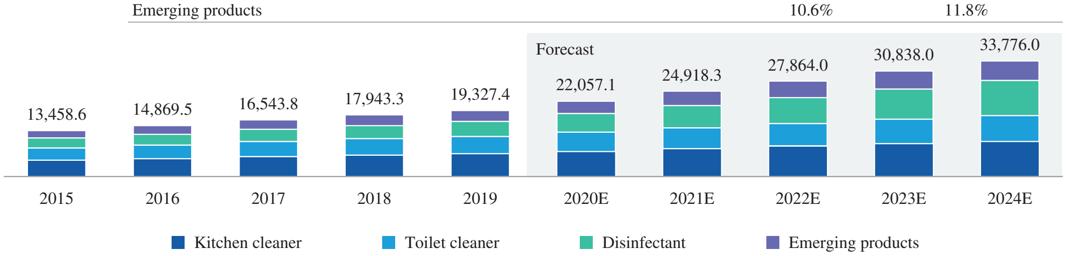
Overview of China's household cleaning market

China's household cleaning market has huge growth potential: China has the second largest household cleaning market in the world, and its retail sales value has increased from RMB13.5 billion in 2015 to RMB19.3 billion in 2019, with a CAGR of 9.5%, which was much faster than the global market growth rate of 3.4%. With growing consumption level, increasing awareness of household environment cleanliness, increasing demand for convenience, and consumers' preference for natural and environment-friendly products, retail sales value of the industry in China is expected to grow to RMB33.8 billion in 2024 with a CAGR of 11.8% since 2019.

Market size of China's household cleaning and CAGRs in 2015-2019 and 2019-2024

In RMB MM

CAGR	2015 to 2019	2019 to 2024 (estimated)
	9.5%	11.8%
Kitchen cleaner	8.5%	9.1%
Toilet cleaner	8.4%	8.6%
Disinfectant	11.4%	18.4%
Emerging products	10.6%	11.8%



Note: Emerging products include washing machine tank cleaners, air conditioning cleaners, floor cleaners, polishes, pipe cleaners, glass cleaners, window mesh cleaners, descalers, etc.

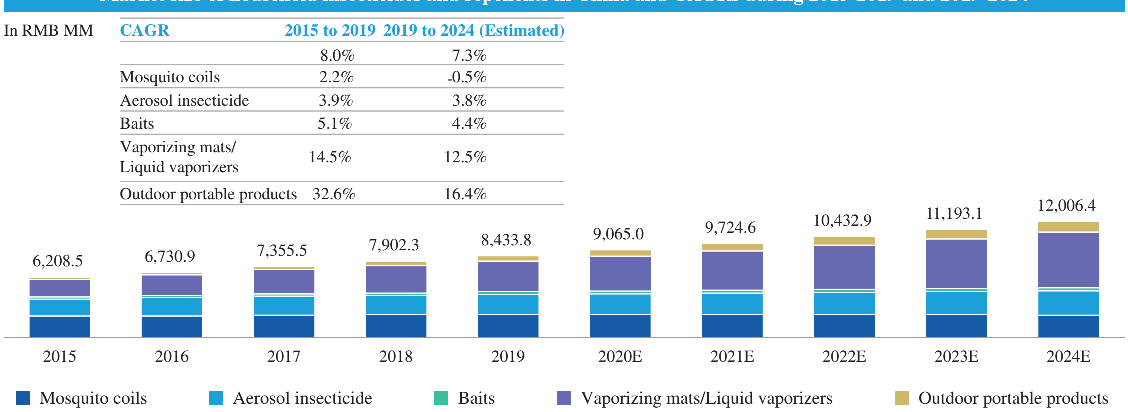
Source: CIC Report

Disinfectant products benefit from the growing demand for household disinfection: in 2020, COVID-19 has greatly increased Chinese consumers' awareness of the health and hygiene of household environment, prompting a rapid growth in the demand for disinfectant products. As one of the fastest growing sub-categories of household cleaning products in China from 2019 to 2024, disinfectant products are expected to increase the retail sales value from RMB4.3 billion in 2019 to RMB10.1 billion in 2024, with a CAGR of 18.4%.

Market overview of China's household insecticides and repellents

China's household insecticides and repellents market has huge growth potential: China's household insecticides and repellents market is the largest in the world, and its retail sales value has increased from RMB6.2 billion in 2015 to RMB8.4 billion in 2019, with a CAGR of 8.0%, which was much faster than the global market growth rate of 3.4% (all in RMB for the year). The industry is expected to continue to grow to RMB12.0 billion in 2024, with a CAGR of 7.3%. The new portable mosquito repellent products used for outdoor travel have become the fastest growing sub-category in China in the past five years due to its safety and convenience. The retail sales value has grown from RMB166.4 million in 2015 to RMB515.3 million in 2019 with a CAGR of 32.6%, and it is expected to continue to grow at a CAGR of 16.4% to RMB1,103.0 million in 2024.

Market size of household insecticides and repellents in China and CAGRs during 2015-2019 and 2019-2024



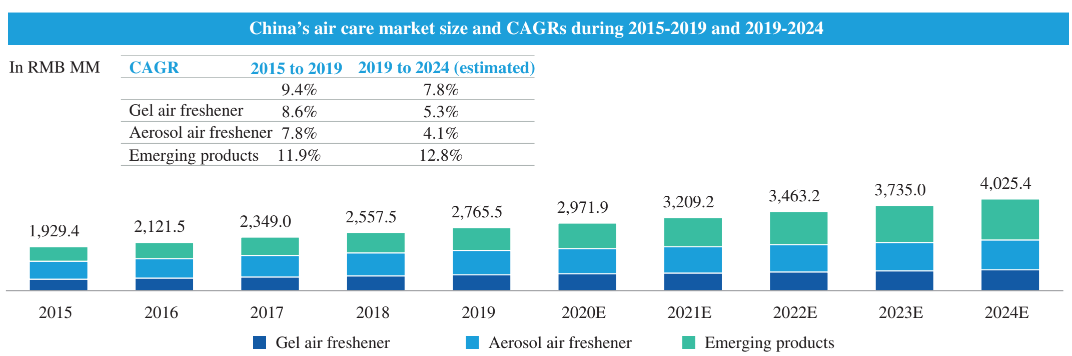
Source: CIC Report

From traditional to new product forms, the iterative upgrade of new products promotes the growth of the industry: the market of household insecticides and repellents is divided by morphology, from traditional products such as mosquito coils to vaporizing mats/liquid vaporizers, and then to mosquito proof nets, mosquito repellent liquid, mosquito repellent wipes, etc. In China, new forms of household insecticides and repellents products, including electric products and outdoor portable products, accounted for approximately 44% of all the retail sales value of household insecticides and repellents products in 2019, while in some developed countries, the percentage generally exceeded 70%.

The rise of children-friendly products: children need more healthy, safe, green and harmless products than adults. The market size of Chinese children-friendly insecticides and repellents market has grown from RMB385.2 million in 2015 to RMB899.6 million in 2019, which is expected to reach RMB2,170.1 million in 2024. The CAGR (19.3%) from 2019 to 2024 is much higher than the overall growth rate (7.3%).

Overview of air care market in China

China's air care market has significant growth potential: the retail sales value of China's air care market has increased from RMB1.9 billion in 2015 to RMB2.8 billion in 2019, with a CAGR of 9.4%, which was much faster than that of the global market of 4.4%. With the growth of resident consumption level, increasing awareness of indoor air, and consumers' preference for safer products, the industry in China is expected to reach RMB4.0 billion in 2024, with a CAGR of 7.8%.



Note: Emerging products include deodorant, room aromas, etc.

Source: CIC Report

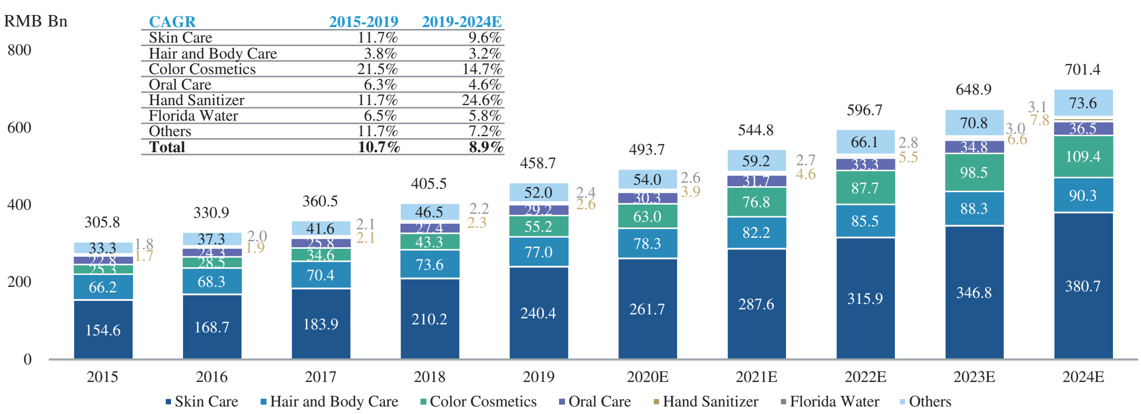
Product application scenarios are differentiated to cultivate professional consumption habits: the emerging air care market, including all kinds of deodorant, room aromas and other products, opens the era of segmentation of air care. Its retail sales value will increase from RMB1.0 billion in 2019 to RMB1.8 billion in 2024 with a CAGR of 12.8%.

Safe and healthy products are increasingly favored by consumers: the mechanism of traditional air fresheners is to mask peculiar smells with new odor. Some consumers believe that the chemical substances contained in traditional aerosol will lead to asthma and skin diseases, while future air care products will tend to deodorize and pay more attention to safety.

OVERVIEW OF CHINA'S PERSONAL CARE MARKET

According to the report by CIC, China's personal care market includes skin care, color cosmetics, oral care, hair and body care, hand sanitizer, Florida Water and others (men, infants, fragrances, sunscreens, etc.). The personal care market in China has grown from RMB305.8 billion in 2015 to RMB458.7 billion in 2019 with a CAGR of 10.7%, which is expected to further grow to RMB701.4 billion in 2024 with a CAGR of 8.9%.

Market Size of China's Personal Care Products and CAGRs in 2015-2019 and 2019-2024[(1)]

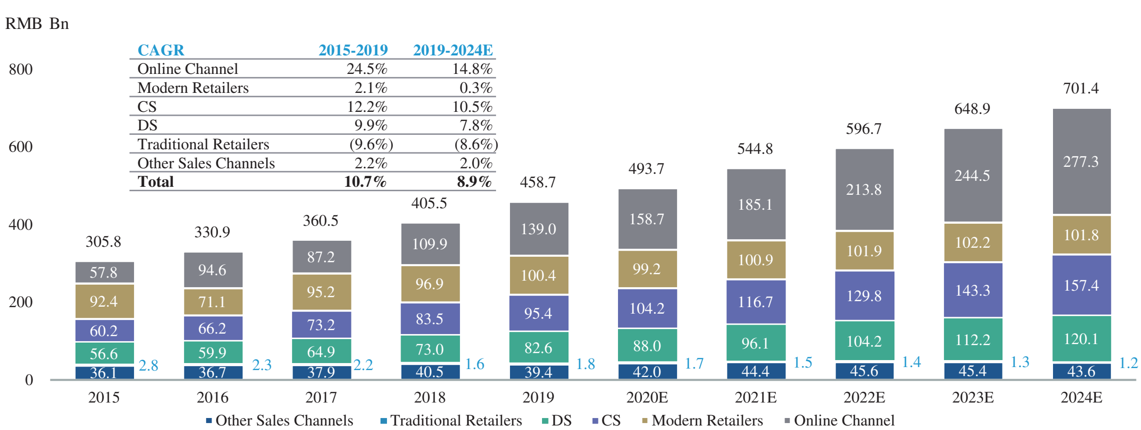


Source: CIC Report

Note

1. Others include fragrances, sunscreens, men, infants, etc..

Market Size of China's Personal Care Products by Sales Channels and CAGRs in 2015-2019 and 2019-2024[(1)]



Source: CIC Report

Note

1. Modern retailers refer to chain hypermarkets, supermarkets and convenience stores, while traditional retailers refer to non-chain grocery stores. CS (cosmetic store) refers to health and beauty specialist retailers. DS refers to department stores. Other sales channels include commercial channels, direct sales, etc.

Analysis on the drivers of China's personal care industry:

Increasing affluence and accelerating urbanization process: The increasing affluence and ongoing urbanization process in China has brought about significant changes in lifestyles, consumption patterns and the habits of consumers. Urban residents who have already been used to basic personal care consumption habits tend to use personal care products more widely and frequently than before. For instance, urban residents have been increasing the complexity of procedures in skin care, hair and body care, oral care and make up. Moreover, influenced by the consumption habits of urban consumers and with the increasing disposable income, rural consumers, which consist of a vast proportion of China's total population, are nurturing their habits of personal care maintenance, thus increasing their consumption of personal care products.

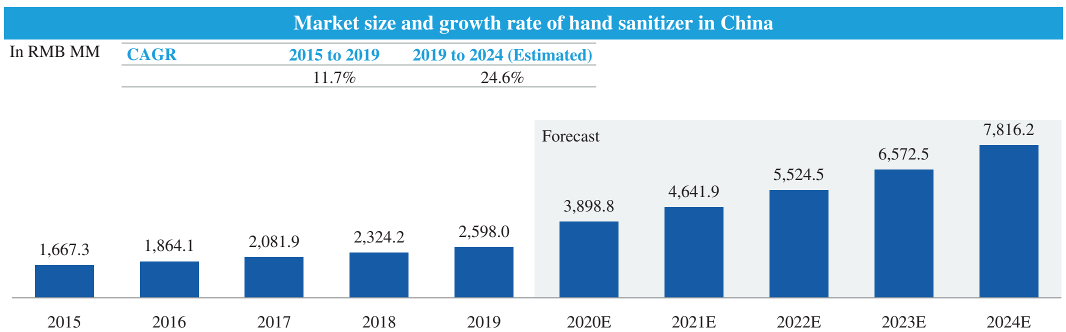
Rising awareness in hygiene, health and beauty: With the rising consumption awareness and burgeoning demand arising from increasing purchasing power, consumers tend to increase their consumption budget on personal care products for a healthier life, better personal appearance and personal hygiene purpose. With the expectation of maintaining beauty, skin care and cosmetics products have shown strong sales performance with a deeper penetration as well as larger annual expenditures. With the increasing awareness of oral health, along with the Healthy China Strategy laying a solid foundation for the healthy development of oral care in China, oral care products have also demonstrated rapid growth. Furthermore, hair and body care products have embraced steady growth under the rising consciousness in hygiene.

Continuous market education from social media and the influences of popular cultures: Frequent market education via promotion and advertising on multiple social media tools have formed numerous touchpoints for cosmetics information for consumers living in all tiers of cities. The various promotion methods including makeup swatch and tryout, cosmetics tutorials, unboxing, experience sharing, KOL endorsement and live streaming sales on social or e-commerce platforms have stirred large impact on consumers' perception and consumption habits of personal care products. Consequently, a larger number of consumers are willing to purchase personal care products. Meanwhile, consumers are likely to be influenced by popular cultures. For instance, Chinese consumers are usually attracted by latest skin care habits and make-up trends from Japanese and Korean cultures as well as the make-up trends from Western countries.

Increasing desire for better personal appearance for social life: Influenced by the market education, especially the experience of personal care maintenance shared by KOLs along with the infusion of cultures from advanced countries such as Japan that regard personal appearance as an important part of social life, there is a growing perception among consumers that personal appearance is important to achieve social, professional and financial success, which is related to a person's self-confidence, social etiquette, status symbols and workplace etiquette to some extent. Along with the rising purchasing power, consumers are paying more attention to maintaining beauty standards.

China's hand sanitizer market

The penetration rate of hand sanitizer in China will continue to increase. With the continuous urbanization, living standards, self-cleaning awareness and the impact of epidemic on hand sanitizer, more and more Chinese consumers will use hand sanitizer in the future. The retail sales value of hand sanitizer market increased from RMB1.7 billion in 2015 to RMB2.6 billion in 2019, which is expected to reach RMB7.8 billion in 2024.



Source: CIC Report

Growing demand for hand sanitizer: promotion of personal hygiene awareness and the increase in disposable income, which further promotes the popularity of high-quality products. Chinese consumers are increasingly concerned about public and personal health and hygiene, especially the outbreak of public infectious diseases such as COVID-19, which has promoted consumers' attention to sterilization products and personal hygiene awareness. Therefore, more consumers are willing to purchase and use cleaning products, especially hand sanitizer, to maintain personal health and hygiene. The market demand for segmented hand sanitizer products will increase in the future. For example, portable hand sanitizer can be used for travel and other scenarios, and large package hand sanitizer is a more favorable choice for the families. The waterless hand sanitizer is better than traditional hand sanitizer in term of antibacterial effect, and it is expected to be further popularized in the future. At the same time, as people improve their awareness of environmental protection, consumers have higher requirements for hand sanitizer from raw materials to packaging, and environmentally friendly hand sanitizer products will gain more consumers' favor.

Online retail channels are one of the main drivers of growth: the proportion of online sales channels in the total retail sales value of China's hand sanitizer industry has increased from 13.8% in 2015 to 25.0% in 2019 with a CAGR of 29.7%; With further prevalence of online shopping habits and the continuous development of e-commerce technology, the percentage is expected to reach 38.4% in 2024 with a CAGR of online retail sales 35.8%.

The market of all tier cities is growing rapidly, among which the lower-tier cities have huge growth potential and are the main force in the future market: between 2015 and 2019, CAGRs of retail sales value for hand sanitizer products in tier 1, tier 2 and lower-tier cities were 7.1%, 9.1% and 15.4% respectively. This growth trend is expected to continue from 2019 to 2024. The CAGRs of retail sales value for hand sanitizer products in tier 1, tier 2 and lower-tier cities are expected to be 13.4%, 24.5% and 27.0%, respectively, which will promote the further development of the market.

China's Florida Water market

Retail sales value of China's Florida Water market rose from RMB1.8 billion in 2015 to RMB2.4 billion in 2019, and will reach RMB3.1 billion in 2024.

Upgrade of Florida Water product packaging: in future, the Florida Water products are transforming from traditional glass bottle packaging to spray packaging. Spray packaging can provide a more convenient user experience and drive sales growth in the entire market.

Research and development of segmented functional products: the manufacturers of Florida Water are constantly introducing new functional Florida Water products, such as products with skincare effect, refreshing and sweat control and other functions, which can encourage more young people to purchase Florida Water and drive consumers who used single-function floral products to use more Florida Water with different functions.

China's hair and body care market

Retail sales value of China's hair and body care market has increased from RMB66.2 billion in 2015 to RMB77 billion in 2019, and will reach RMB90.3 billion in 2024.

Strong demand for mid-to-high end hair and body care products: consumers are paying more attention to the health of hair and skin, driven by rising disposable income and consumption upgrades. Therefore, there is a strong demand for mid-to-high end hair and body care products.

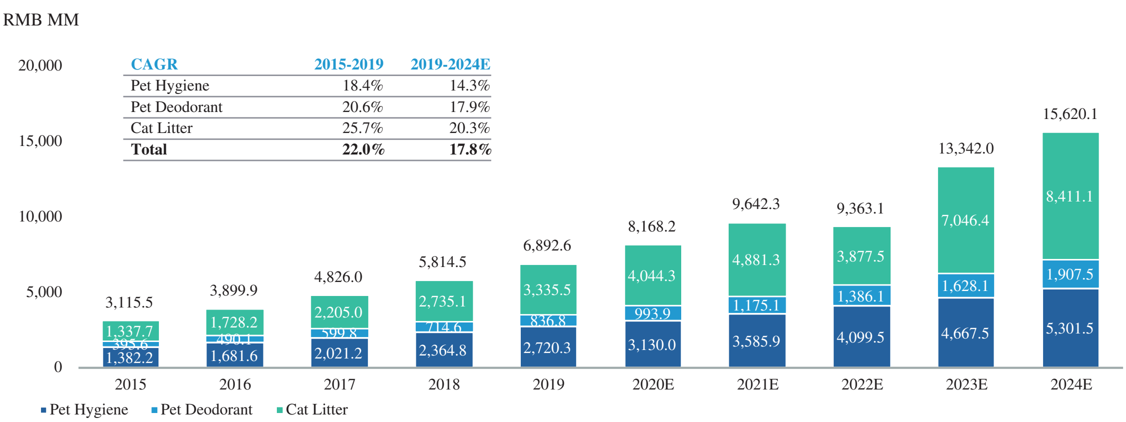
Strong demand for professional segmented products: in addition to basic cleaning and protection functions, the consumers are increasingly demanding for professional hair and body care products with other segmented functions.

OVERVIEW OF PET CARE MARKET IN CHINA

According to the report by CIC, China's pet care market includes pet hygiene (shampoo bath liquid, ear/mouth cleaning), pet deodorant (deodorization, sterilization, perfume) and cat litter.

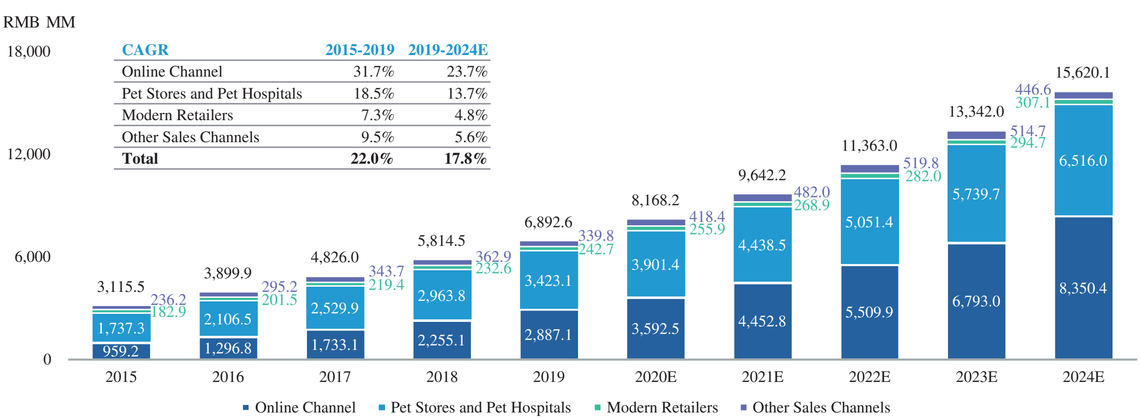
China's pet care product market in terms of retail sales value has grown from RMB3.1 billion in 2015 to RMB6.9 billion in 2019, and is expected to continue to grow to RMB15.6 billion in 2024. The CAGRs from 2015 to 2019 and from 2019 to 2024 are 22.0% and 17.8%, respectively.

Market Size of China's Pet Care Products and CAGRs in 2015-2019 and 2019-2024



Source: CIC Report

Market Size of China's Pet Care Products by Sales Channels and CAGRs in 2015-2019 and 2019-2024[(1)]



Source: CIC Report

Note:

1. Other sales channels include pet breeders, traditional retailers, etc.

Analysis on the drivers of China's pet care industry:

A higher percentage of household owning pets: with the deregulation of raising dog in cities, the improvement of people's quality of life, and the "empty nest phenomenon" gradually emerged, the number of pet cats and dogs in urban China increased from about 63.9 million to approximately 99.2 million from 2015 to 2019 with a CAGR of about 11.6%. In 2019, the percentage of pets raised by Chinese families was only about 21%, compared with the percentage of 40% and 67% in the United Kingdom and the United States, there is still a lot of room for improvement. Therefore, with the further improvement of residents' income level and the further prevalence of owning pets, the number of pet cats and dogs in urban China is expected to further increase to about 139 million in 2024, with a CAGR of about 7.0% from 2019 to 2024.

The percentage of the younger generation of pet-raising consumer groups has increased: Chinese pet raising population is gradually becoming younger. In 2015, about 40% of Chinese pet raising population were under 30 years old, which rose to about 53% in 2019. The younger generation pay more attention to the health, nutrition and appearance of pets. Therefore, the young pet raising groups show a higher willingness to purchase high-quality pet products and food, pet care and pet medical care.

The downstream pet-related industries (pet grooming, pet medical care, etc.) are gradually becoming sophisticated: with the rapid development of pet economy, various pet-related services and other emerging markets have gradually emerged, which further derived the demand for pet products such as pet shampoo and deodorant. The market size of pet grooming service industry has increased from about RMB14 billion to RMB25 billion between 2015 and 2019, with a CAGR of 24.2%. The industry is expected to grow with a CAGR of 16.4% from 2019 to 2024, and will reach RMB40 billion in 2024. The continuous development of downstream related industries will bring more demand for pet care and stimulate the development of pet care market.

Online retail channels, pet stores and pet hospitals are the main growth forces: the main sales channels of China's pet care market are pet stores and pet hospitals (50%), and e-commerce (42%). Thanks to the rapid development of Chinese e-commerce platforms, online sales channels have become the fastest growing sales channels in China's pet care industry. The proportion of online sales channels in the total retail sales of China's pet care industry increased from 30.8% in 2015 to 41.9% in 2019 with a CAGR of 31.7%; With the further prevalence of online shopping habits and the continuous development of e-commerce technology, the proportion is expected to reach 53.5% in 2024 and the CAGR of online retail sales is 23.7% since 2019.

The tier-1 cities contribute the largest portion of consumers, while the tier-2 and lower-tier cities have grown more rapidly: in recent years, consumers in all tier of cities have continued to spend on pet care products. From 2015 to 2019, the CAGRs of retail sales of pet care products in tier-1, tier-2 and lower-tier cities were 20.4%, 23.2% and 25.6%, respectively. The growth trend is expected to continue from 2019 to 2024. The CAGRs of pet care products retail sales in tier-1, tier-2 and lower-tier cities are expected to be 16.5%, 18.4% and 20.7%, respectively, which will promote the further development of the market.

IMPACT OF COVID-19 OUTBREAK ON CHINA'S HOUSEHOLD CHEMICALS INDUSTRY

Consumer demand analysis: The outbreak of COVID-19 has heightened the awareness of health and hygiene among consumers, especially facilitating consumers to clean and disinfect their hands and the surface of furniture and utensils at home more frequently to avoid infection. As a result, the sales of hand sanitizers and household cleaning products, especially those with disinfectant functions have witnessed an increase with accelerated penetration in 2020. The retail sales value of hand sanitizers and disinfectants in China in 2020H1 increased by approximately 70% and 40%, compared with 2019H1. Meanwhile, other categories in the industry, such as household insecticides and repellents and air care products which are usually considered as necessity products for hygiene or health, were slightly negatively impacted during the outbreak from the demand side, but have realized recovery growth since 2020Q2. In the long run, consumers are expected to stay aware of hygiene, facilitating the sales of hand sanitizers (CAGR 2019-2024E: 24.6%) and disinfectants (CAGR 2019-2024E: 18.4%), while the sales of the other household chemicals products are expected to return to normal growth.

Production analysis: In the first quarter of 2020, due to the logistics and transportation restrictions implemented by Chinese government, factories have experienced temporary workforce shortage and limited access to raw materials for production, and therefore the production of household chemicals products were stagnated. The production volume of certain household chemicals products such as hand sanitizers and disinfectants were surpassed by the consumer demands due to the hoarding behavior among consumers, resulting in temporary stockout of such products.

Sales channel analysis: During the COVID-19 outbreak, products are less accessible to consumers due to national lockdown, since offline sales channels including independent groceries and chain stores were temporarily closed in the first quarter of 2020. This negative impact has been offset by the booming e-commerce in China to some extent. Many consumers have already get used to the online purchase of household chemicals products, and the COVID-19 pandemic has further accelerated the growth of online shopping. For example, in the first half of 2020, the retail sales of household care products in online channels increased by about 40% over the same period last year, and the penetration of household care products in online channels reached approximately 25% in the first half of 2020, and is expected to reach 30% by 2024.

BARRIERS TO ENTRY OF CHINA'S HOUSEHOLD CHEMICALS MARKET

Brand recognition and awareness and marketing capabilities: With the increasingly fierce competition in China's household chemicals market, the homogeneity of products in the market is becoming prominent. Hence, consumers will regard branding as one of the important indicators when they compare similar products and make final purchase decisions. Companies facing fierce competition have also adopted sub-brands as a marketing strategy for market segmentation and precise customer positioning, thus expanding into more customer bases. Hence, good planning in marketing strategies that cover positioning, advertising and promotion strategies is one of the important barriers to enter China's household chemicals market.

The capabilities of omni-channel coverage capabilities: The choice of distribution channels is an important strategic consideration for household chemicals enterprises. Particularly in the digital age when new retail approaches such as electronic commerce are developing rapidly, household chemicals enterprises must respond quickly if they want to remain competitive in the market. At the same time, how to penetrate into lower-tier cities quickly and effectively through powerful distribution capabilities has always been an important issue in supply chain management for market participants. Hence, a comprehensive coverage of online and offline distribution channels is an important barrier to enter China's household chemicals sector.

Technology-enabled production process: With the increasingly fierce competition in China's household chemicals market, market leaders have been adopting automated operational systems and advanced production technologies to reduce the labour cost, increase the scale of production and maximize profit margins. New entrants have limited opportunities of acquiring advanced production technologies in the industry, as such they are not as well positioned as existing market participants on production cost control.

R&D and innovation capabilities: In order to address the ever-changing consumer market as well as the diverse demands and preferences, household chemicals enterprises have to invest an abundance of time and capital on research and development. However, research and development requires the support of ample funding, human resources and industry experience, which are all difficult to be acquired by new entrants. New companies lacking sufficient research and development capabilities are unable to provide customers with attractive products, thereby undermining their attempts to enter the market.

Supply chain management capabilities: Household chemicals boast the features of fast-moving consumer goods, therefore market participants face a higher requirement for supply chain management. Logistics costs are expected to be higher for new entrants having insufficient experience in supply chain management of household chemicals products. Besides, it would be difficult to predict customers' demands with an inferior supply chain information system. Hence, supply chain management is another barrier for new entrants into the household chemicals market.

Financial capability: New entrants in the household chemicals market face high costs in raw materials and labour. Capabilities in capital management are also very important for household chemicals companies, especially when investing in new batches of products based on sales forecast. New entrants face greater uncertainty in the sales forecast of new products, thus a lack of effective capital management would become an obstacle to their entry into the household chemicals market.

Access quantification of and compliance: The Chinese government has established strict standards for household chemicals enterprises on numerous processes such as market access, production, quality control and pollutants discharge. For example, to produce and sell disinfectant products in China, it is required to apply for a sanitary production permit for disinfectant product manufacturer, and arrange for sanitary safety evaluation and filings for the disinfectant products. The entire application and filing process can take as long as a year or longer.

THE COMPETITIVE LANDSCAPE OF CHINA'S HOUSEHOLD CHEMICALS MARKET

The ranking by retail sales of China's household care market: The Company ranked fourth in 2019 and ranked third among domestic-invested enterprises

The rank in retail sales	Company name	Nature of enterprise	2019 retail sales in million	Market share in 2019
			(RMB)	
1	Company A	Domestic-invested	4,530.3	9.9%
2	Company B	Domestic-invested	3,494.9	7.6%
3	Company C	Foreign-invested	3,116.2	6.8%
4	The Company	Domestic-invested	2,871.4	6.3%
5	Company D	Domestic-invested	1,540.8	3.4%

The ranking by retail sales value of China's household insecticides and repellents market: The Company ranked first from 2015 to 2019

The rank in retail sales	Company name	2019 retail sales in million	Market share in 2019
		(RMB)	
1	The Company	1,922.9	22.8%
2	Company C	1,190.0	14.1%
3	Company D	1,004.5	11.9%
4	Company E	711.2	8.4%
5	Company F	564.6	6.7%

In 2019, the Company ranked first in the children-friendly insecticides and repellents market with a retail sales value of RMB372.0 million and a market share of 41.4%.

The ranking by retail sales value of China's household cleaning market: The Company ranked second in 2019

The rank in retail sales	Company name	2019 retail sales in million	Market share in 2019
		(RMB)	
1	Company C	1,520.0	7.9%
2	The Company	813.1	4.2%
3	Company G	506.7	2.6%
4	Company H	387.8	2.0%
5	Company I	276.7	1.4%

The ranking by retail sales value of China's air care market: the Company ranked second in 2019

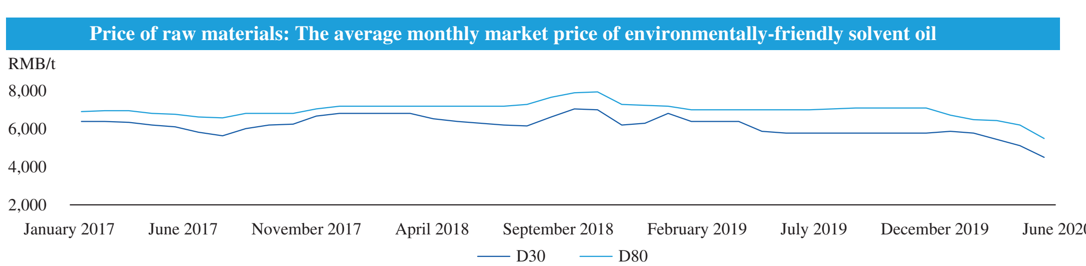
The rank in retail sales	Company name	2019 retail sales in million	Market share in 2019
		(RMB)	
1	Company C	406.2	14.7%
2	The Company	135.4	4.9%
3	Company F	71.9	2.6%
4	Company J	68.3	2.5%
5	Company B	43.9	1.6%

The ranking by retail sales value of China's Florida Water market: the Company ranked third in 2019

The rank in retail sales	Company name	2019 retail sales in million	Market share in 2019
		(RMB)	
1	Company K	1,442.1	61.1%
2	Company L	135.9	5.8%
3	The Company	52.7	2.2%
4	Company M	13.6	0.6%
5	Company N	10.1	0.4%

PRICE ANALYSIS ON RAW MATERIALS

Solvent oil is one of the most important raw materials for household chemicals products, including household insecticides and repellents products, air care products and others. The average monthly market price of solvent oil from 2017 to 2019 was relatively stable, and it has declined since the first half of 2020 due to the impact of the COVID-19 pandemic.



Source: CIC Report

SOURCE OF INDUSTRY INFORMATION

CIC was commissioned to conduct an analysis of, and to report the China's household chemicals industry at a fee of RMB950,000. The commissioned report has been prepared by CIC independent of the influence of the Company and other interested parties. CIC's services include industry consulting, commercial due diligence, strategic consulting, etc. Its consulting team has been tracking the latest market trends in environment, industry, energy, chemicals, healthcare, consumer goods, transportation, agriculture, e-commerce, finance, etc., and has the relevant and insightful market intelligence in the above industries.

CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the National Bureau of Statistics, International Monetary Fund, etc. The market projections in the commissioned report are based on the following key assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (ii) the China's economy is likely to maintain a steady growth trajectory during the forecast period, accompanied by continuing urbanization; (iii) relevant key industry drivers are likely to drive the household chemicals market (e.g., the continuous urbanization process, the increasing purchasing power, growing awareness of improving living environment, product innovation and market education, and the rapid development of the e-commerce channel, etc.) in China during the forecast period; and, (iv) there is no extreme force majeure or unforeseen set of industry regulations in which the market may be affected in either a dramatic or fundamental way.

Unless otherwise specified, all data and forecasts contained in this section are derived from the consultancy report of CIC. The Directors, upon acting with reasonable prudence, confirmed that there has been no occurrence of adverse change in the overall market information that would subject the data to significant restrictions, contradiction or negative effects since the date of the consultancy report.

LAWS AND REGULATIONS IN THE PRC

Regulations on Company Establishment and Foreign Investment

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (中華人民共和國公司法) (the "**Company Law**"), which was promulgated by the SCNPC on December 29, 1993 and became effective on July 1, 1994. It was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. Pursuant to the Company Law, companies are classified into categories, namely limited liability companies and companies limited by shares. The Company Law shall also apply to foreign-invested limited liability companies and companies limited by shares, where the laws on foreign investment provide otherwise, such provisions shall prevail.

The Company Law is the principal law governing dividend distributions of PRC companies. PRC companies may pay dividends only out of their after-tax profits, if any. In addition, PRC companies are required to set aside each year at least 10% of their after-tax profit to their statutory general reserves funds until the cumulative amount of such reserve fund reaches 50% of their registered capital. These reserves or funds are not distributable as dividends. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

On March 15, 2019, the SCNPC promulgated the Foreign Investment Law of the PRC (中華人民共和國外商投資法) (the "**Foreign Investment Law**"), which came into force on January 1, 2020 and repealed simultaneously the Law of the PRC on Sino-foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法), the Law of the PRC on Wholly Foreign-owned Enterprise (中華人民共和國外資企業法) and the Law of the PRC on Sino-foreign Cooperative Joint Ventures (中華人民共和國中外合作經營企業法). Subject to the Foreign Investment Law, foreign invested enterprises incorporated before the enforcement of the Foreign Investment Law may keep their original organizational forms for five years after the enforcement of the Foreign Investment Law. The Implementation Regulations for the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例) was promulgated by the State Council on December 26, 2019 and took effect on January 1, 2020. According to the Foreign Investment Law, the State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council.

Pursuant to the Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄) (the "**Guidance Catalogue**") which was most recently amended on June 28, 2017 and came into effect on July 28, 2017, the industries invested by foreign investors are classified into two categories: encouraged industries and the industries subject to special administrative measures for the access of foreign investment (including restricted industries and prohibited industries). The Special Administrative Measures (Negative List) for the Access of Foreign Investment (外商投資准入特別管理措施(負面清單)) (the "**Negative List**") which was promulgated on June 28, 2018, revised on June 30, 2019 and came into effect on July 30, 2019, replaced the portion of special administrative measures for the access of foreign investment in the Guidance Catalogue. The Negative List (2020 version) was recently promulgated on June 23, 2020 and came into effect on July 23, 2020. The Catalogue of Industries for Encouraged Foreign Investment (2020 Edition) (鼓勵外商投資產業目錄(2020年版)) (the "**Encouraged Catalogue**") which was promulgated on December 27, 2020 and came into effect on January 27, 2021, replaced the encouraged industries in the Guidance Catalogue. Foreign investors shall not invest in the fields where foreign investment is prohibited in the Negative List. Foreign investors shall meet the investment conditions stipulated under the Negative List for any field with investment restricted by the Negative List for foreign investment access. Unless otherwise prescribed by the PRC laws, any industries not falling into any of the encouraged, restricted or prohibited industries set out in the Encouraged Catalogue and the Negative List is a permitted industry for foreign investment.

Pursuant to the Interim Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (外商投資企業設立及變更備案管理暫行辦法) (the "**Interim Measures**") promulgated by MOFCOM on October 8, 2016 and amended on July 30, 2017 and June 29, 2018, establishment and modifications of foreign investment enterprises that are not subject to the approval under the special administrative measures for the access of foreign investment shall be filed with the competent commercial authorities.

The Measures on Reporting of Foreign Investment Information (外商投資信息報告辦法) was promulgated by MOFCOM and State Administration for Market Regulation on December 30, 2019, which came into effect on January 1, 2020 and replaced the Interim Measures. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to such measures.

Regulations in relation to Producing and Selling Our Products

Pursuant to the Regulations on Pesticide Administration (《農藥管理條例》) promulgated by the State Council on May 8, 1997 and amended on November 29, 2011, the state implements a pesticide registration system, including temporary registration and formal registration. Pesticide manufacturers shall obtain pesticide manufacturing license or pesticide manufacturing approval documents. In accordance with the Regulations on Pesticide Administration (2017 version) which was promulgated by the State Council on March 16, 2017 and became effective on June 1, 2017, the temporary registration and formal registration of pesticides are canceled and replaced by a unified pesticides registration mechanism. Pesticide manufacturing enterprises shall apply to the competent provincial agricultural authorities for pesticide production license. In the case of entrusted manufacturing and sub-packaging, the entrusting party shall obtain the corresponding pesticide registration certificate, and the entrusted party shall obtain the pesticide production license. The state implements a licensing system for the operation of pesticide products except for the operation of sanitary pesticide.

Pursuant to the Measures for the Administration of Disinfection (《消毒管理辦法》) which was promulgated by the former State Health and Family Planning Committee on September 18, 1987 and amended on August 31, 1992, March 28, 2002 and December 26, 2017, as well as the Regulations on Sanitation and Safety Evaluation of Disinfection Products (《消毒產品衛生安全評價規定》) which was promulgated and became effective on June 27, 2014, when the first and second types of disinfection products are first launched on the market, the entity responsible for such products shall submit the sanitation and safety evaluation report to the competent provincial health administrative department for filing. The manufacturing enterprise, or the entrusted enterprise shall be responsible for the quality of the disinfection products.

Pursuant to the Regulations Concerning the Hygiene Supervision over Cosmetics (《化妝品衛生監督條例》) promulgated by the former Ministry of Health of the PRC on November 13, 1989 and amended on March 2, 2019 by the State Council, the Detailed Rules for the Implementation of the Regulation on the Hygiene Supervision over Cosmetics (《化妝品衛生監督條例實施細則》) promulgated by the former Ministry of Health on March 27, 1991 and amended on May 20, 2005, as well as the Measures on Record Filing of Domestic Non-Special-Purpose Cosmetics (《國產非特殊用途化妝品備案管理辦法》) promulgated by the former State Food and Drug Administration on April 21, 2011, came into effect on October 1, 2011 and repealed on September 3, 2019, an enterprise that manufactures non-special-purpose cosmetics shall file to the provincial food and drug supervision and administration department within two months after the products launch on the market. In the case of entrusted manufacturing, the entrusting party shall file to the provincial food and drug supervision and administration department where the actual production enterprise is located. In accordance with the Work Practices on the Registration and Filing Inspection of Cosmetics (《化妝品註冊和備案檢驗工作規範》) promulgated by the National Medical Products Administration on September 3, 2019, which became effective on the same day cosmetic enterprises independently select an inspection and testing institution with corresponding capacity to carry out cosmetics registration and filing inspection.

Pursuant to the Regulations on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》) which was promulgated by the State Council on June 16, 2020 and will become effective on January 1, 2021, cosmetics are divided into special cosmetics and ordinary cosmetics. The state implements registration management for special cosmetics and filing management for ordinary cosmetics. Domestic ordinary cosmetics shall be filed with the provincial drug regulatory authority where the filing applicant is located before going on sales. In the case of entrusted production of cosmetics, the cosmetics registrant or the record-filing applicant shall entrust the enterprise that has obtained the corresponding cosmetics production license and supervise the production activities of the entrusted enterprise to ensure that the production activities comply with the legal requirements.

Pursuant to the Work Safety Law of the PRC (《中華人民共和國安全生產法》) promulgated by the SCNPC on August 31, 2014 and came into effect on December 1, 2014, business entities must establish and improve their work safety responsibility systems and work safety polices and rules, improve work safety conditions, promote work safety standardization, improve their work safety levels and ensure work safety.

Regulations in relation to Product Quality

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018 is the principal governing law relating to the supervision and administration of product quality, which clarified liabilities of the manufactures and sellers. Manufacturers shall be responsible for the quality of their products. If a defect in a product causes physical injury or damage to property other than the defective product, the manufacturers shall bear liability for compensation, unless they are able to prove that: (1) the product has not been put into circulation; (2) the defects causing injuries or damage did not exist at the time when the product was circulated; or (3) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects. A seller shall pay compensation if it fails to indicate neither the manufacturer nor the supplier of the defective product. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller.

Pursuant to the Tort Liability Law of the PRC (《中華人民共和國侵權責任法》), promulgated by the SCNPC on December 26, 2009 and effective from July 1, 2010, manufacturers shall assume tort liability where the defects in relevant products cause damage to others. Sellers shall assume tort liability where the defects in relevant products causing damage to others are attributable to the sellers. The infringed party may claim for compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage. The Tort Liability Law of the PRC was repealed by the Civil Code of the PRC (《中華人民共和國民法典》) which was promulgated on May 28, 2020 and became effective on January 1, 2021.

Regulations in relation to Consumer Protection and Competition Law

Consumer protection

According to the Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》) (the "**Consumer Protection Law**") which was promulgated by the SCNPC on October 31, 1993 and became effective on January 1, 1994 and was amended on August 27, 2009 and October 25, 2013, where business operators sell commodities on the internet, on television, over telephone, or by mail order, consumers shall have the right to return the commodities within seven days of receipt of them without cause, subject to certain exceptions. Moreover, consumers are entitled to the protection of their personal safety and property security at the time of purchase and use of goods and receipt of services. Violations of the Consumer Protection Law may result in the imposition of fines, the suspension of operation, the revocation of business license or even criminal liability of the business operators.

Competition law

In accordance with the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》) (the "**Anti-Unfair Competition Law**") which was promulgated by the SCNPC on September 2, 1993, became effective on December 1, 1993 and was amended on November 4, 2017 and April 23, 2019, when trading in the market, business operators should abide by the principles of voluntariness, equality, fairness, honesty and credibility, and abide by laws and recognized business ethics. Unfair competition means a business operator, in violation of the Anti-Unfair Competition Law, disrupts the competition order and infringes the legitimate rights and interests of other business operators or consumers. When the legitimate rights and interests of a business operator are damaged by unfair competition, it may start a lawsuit in the People's Court. In contrast, if a business operator violates the provisions of the Anti-Unfair Competition Law, engages in unfair competition and causes damage to another business operator, it shall be liable for damages. If the damage suffered by the business operator is difficult to assess, the amount of damages shall be the profit obtained by the infringer through the infringement. The infringer shall also bear all reasonable expenses paid by the infringed business operator to stop the infringement.

Price law

According to the Price Law of the PRC (《中華人民共和國價格法》) (the "**Price Law**") which was promulgated by the SCNPC on December 29, 1997 and became effective on May 1, 1998, business operators should observe the principles of fairness, lawfulness and good faith when they determine the prices. The production and operation costs and the market supply and demand situation should be the fundamental basis for the business operators to determine the price. When selling or purchasing goods and providing services, the business operator shall clearly indicate the price and indicate the name, origin of production, specifications, grade, valuation unit, price or service item, charging standards and other related particulars in accordance with the requirements of the competent government price department. Business operators shall not sell the goods at a price beyond the marked price or charge unspecified fees on top of price indicated. In addition, business operators shall not take illegitimate pricing actions, such as colluding with others to manipulate market prices and damaging the legitimate rights and interests of other business operators or consumers. Any business operator engaged in the act of illegitimate pricing acts stipulated by the Price Law shall be ordered to make corrections, have the illegal income be confiscated, and may be imposed a fine of no more than five times of its illegal income. In serious circumstances, the business operator will be ordered to suspend operations while rectification is being carried out or the administration for industry and commerce will revoke its business license. In addition, any business operator who causes consumers or other operators to pay higher prices due to illegal pricing acts should refund the overpaid portion; if any damage is caused, it shall be liable for compensation according to law. Any business operator who violates the provisions on clearly marked price shall be ordered to make corrections, have the illegal income be confiscated, and may be imposed a fine of no more than RMB5,000.

Regulations in relation to E-Commerce Activities

According to the E-Commerce Law (《電子商務法》) which was promulgated by SCNPC on August 31, 2018 and became effective on January 1, 2019, e-commerce operators refer to natural persons, legal persons and unincorporated organizations that engage in business activities of selling commodities or offering services through the internet and other information networks, including e-commerce platform operators, intra-platform business operators and other e-commerce operators that sell commodities or offer services through a self-built website or other network services. An e-commerce operator shall, in business operation, abide by the principles of voluntariness, equality, fairness and good faith, observe the law and business ethics, fairly participate in market competition, perform obligations in aspects including protection of consumer rights and interests, environment, intellectual property rights, cybersecurity and individual information, assume responsibility for quality of products or services and accept the supervision by the government and the public.

E-commerce operators shall complete the market entity registration (unless no such registration is required by laws and administrative regulations) and obtain the relevant administrative licenses for conducting those operational activities which are required by law to obtain administrative licenses. Commodities sold or services offered by e-commerce operators shall meet the requirements to protect personal and property safety and the environmental protection requirements, and e-commerce operators shall not sell or provide any commodity or service prohibited by laws and administrative regulations. E-commerce operators shall (including without limitation): (i) continuously display its business license information and administrative license, or relevant information which indicates that it does not need to complete the market entity registration in a prominent position on its homepage; (ii) disclose information about commodities or services in a comprehensive, truthful, accurate and timely manner so as to safeguard the consumers' right to know and right of choice; (iii) deliver commodities or services according to its commitment or the ways and time limits as agreed upon with consumers, and bear the risks and responsibilities when commodities are in transit; and (iv) bring the tie-in sales of commodities or services to consumers' attention in significant manner and shall not set tie-in commodities or services as default options. Where an e-commerce operator ceases to engage in e-commerce business, it shall continuously announce relevant information in a prominent position on its homepage 30 days in advance.

According to the Administrative Measures on Online Trading (《網絡交易管理辦法》) which was promulgated by the former SAIC on January 26, 2014 and became effective on March 15, 2014, e-commerce operators shall obtain relevant administrative licenses required by law.

Regulations in relation to Advertising

Pursuant to the Advertising Law of the PRC (《中華人民共和國廣告法》) (the "**Advertising Law**") promulgated by the SCNPC on October 27, 1994 and amended on April 24, 2015 and October 26, 2018 respectively, advertisers, advertising operators and advertisement publishers shall abide by the Advertising Law and other laws and regulations, be honest and trustworthy and compete in a fair manner in advertising business. An advertisement shall be prohibited from using "national", "highest", "best", or other comparative words. The data, statistics, investigation results, excerpts, quotations and other citations used in an advertisement shall be true and accurate, with the sources indicated. If any citation has a scope of application or a term of validity, the scope of application or term of validity shall be clearly indicated.

Regulations in relation to Intellectual Property Rights

Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》) which was promulgated by the SCNPC on March 12, 1984, amended on September 4, 1992, August 25, 2000, December 27, 2008 and October 17, 2020, the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the State Council on June 15, 2001 and amended on December 28, 2002 and January 9, 2010, there are three types of patents in the PRC: invention patents, utility model patents and design patents. The protection period is 20 years for an invention patent and 10 years for a utility model patent and a design patent, commencing from their respective application dates. Any individual or entity that utilizes a patent or conducts any other activity in infringement of a patent without prior authorization of the patent holder shall pay compensation to the patent holder. In addition, any organization or individual that applies for a patent in a foreign country for an invention or utility model patent established in China is required to report to the State Intellectual Property Office for confidentiality examination.

On October 17, 2020, the SCNPC promulgated the Decision on Revising the Patent Law of the PRC (《關於修改<中華人民共和國專利法>的決定》) and the revised Patent Law will take effect on June 1, 2021. The new Patent Law of the PRC provides that the duration of a patent right for "design" is 15 years, from the date of application.

Trade Secrets

According to the Anti-Unfair Competition Law, trade secrets refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Business operators are prohibited from infringing others' trade secrets by: (1) obtaining the trade secrets from the legal owners or holders by any unfair methods such as theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means; (2) disclosing, using or permitting others to use the trade secrets obtained illegally under item (1) above; or (3) disclosing, using or permitting others to use the trade secrets, in violation of any contractual agreements or any requirements of the legal owners or holders to keep such trade secrets in confidence. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties.

Trademarks

According to the Trademark Law of the PRC (《中華人民共和國商標法》), promulgated by the SCNPC on August 23, 1982, amended on February 22, 1993, October 27, 2001 and August 30, 2013 and April 23, 2019, and the latest amendment became effective from November 1, 2019, the period of validity for a registered trademark is 10 years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry if intending to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is 10 years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be canceled. Industrial and commercial administrative authorities have the authority to investigate any behavior in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to law.

Domain Names

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) which was promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and became effective on November 1, 2017, domain name shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of such computer. The principle of "first come, first served" applies to domain name registration service. The domain names used by those engaging in internet information services shall comply with laws and regulations and the relevant provisions of telecommunications administrations, and no domain name may be used to commit any illegal act.

Regulations in relation to Planning and Construction

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) which was promulgated by the SCNPC on June 25, 1986, amended on December 29, 1988, August 29, 1998, August 28, 2004, August 26, 2019 and became effective on January 1, 2020, land owned by the State may be remised or allotted to construction units or individuals in accordance with the law. The people's government at or above the county level shall register and put on record uses of state-owned land used by units or individuals, and issue certificates to certify the land use rights.

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) which was promulgated by the SCNPC on October 28, 2007 and amended on April 24, 2015 and April 23, 2019, a Construction Land Planning Permit is required for the right to use the state-owned land acquired by assignment and appropriation. To build any structure, fixture, road, pipeline or other engineering project within a city or town planning area, the construction entity or individual shall apply to the competent department of urban and rural planning under the people's government of the city or county or the town people's government specified by the people's government of the province, autonomous region or municipality directly under the Central People's Government of the PRC for a planning permit on construction project.

According to the Construction Law of the PRC (《中華人民共和國建築法》) which was promulgated by the SCNPC on November 1, 1997 and amended on April 22, 2011 and April 23, 2019, construction units shall, in accordance with the relevant provisions of the State, apply to the competent construction administrative departments at the county level or above for construction licenses before the construction commences, except for small projects below the threshold value set by the competent construction administrative department under the State Council.

According to the Rules on the Administration of Construction Quality (《建設工程質量管理條例》) which was promulgated by the State Council on January 30, 2000 and amended on October 7, 2017 and April 23, 2019, and the Administrative Measures for Filing of the Inspection and Acceptance on Construction Completion of Buildings and Municipal Infrastructures (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) which was promulgated by the former Ministry of Construction on April 4, 2000 and revised by the Ministry of Housing and Urban-Rural Development on October 19, 2009, a construction project shall not be delivered for use unless it has passed the acceptance check. The construction entity shall file a record to the competent construction administrative department of the people's government at or above the county level of the place where the project is located within 15 days after the construction project passes the acceptance checks.

Regulations in relation to Environmental Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) which was promulgated by the SCNPC on December 26, 1989, amended on April 24, 2014 and became effective on January 1, 2015, enterprises, public institutions and other producers and business operators that discharge pollutants shall take measures to prevent and control the environmental pollution and harm caused by waste gas, waste water, waste residues, medical waste, dust, malodorous gas, radioactive substances, noise, vibration, optical radiation and electromagnetic radiation and others generated during production, construction or other activities. Enterprises and public institutions that discharge pollutants shall each establish an environmental protection responsibility system and specify the responsibilities of the persons in charge and relevant personnel thereof. Facilities for the prevention and control of pollution in a construction project shall be designed, built and put into use together with the principal part of the project. The preparation of relevant development and utilization plans and the construction of the projects having an impact on the environment shall be subject to environmental impact assessment in accordance with the law. For any development and utilization plan, in absence of the environmental impact assessment in accordance with the law, the plan shall not be implemented; for any construction project, in absence of the environmental impact assessment in accordance with the law, the construction of the project shall not be commenced.

According to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) which was promulgated by the SCNPC on October 28, 2002 and amended on July 2, 2016 and December 29, 2018, and the Rules on Classification for Environmental Impact Assessment of Construction Projects (《建設項目環境影響評價文件分級審批規定》) which was promulgated by the former Ministry of Environmental Protection on January 16, 2009 and became effective on March 1, 2009, the state classifies the management over the assessment of the environmental impacts of construction projects according to the seriousness of the impacts. If the environmental impacts may be significant, a comprehensive assessment report of the environmental impacts is required; if the environment impacts may be gentle, an analysis or specific assessment report of environmental impacts is required; if the environment impacts may be very small so that it is not necessary to conduct an assessment of the environmental impacts, a registration form of the environmental impacts is required. The construction work shall not start before the environmental impact assessment documents are approved by competent administrative department.

According to the Rules on the Administration concerning Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998 and amended on July 16, 2017, and the Interim Measures concerning the Environmental Protection Acceptance Check on Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated by the former Ministry of Environmental Protection on November 20, 2017, the complementary environmental protection facilities must be designed, constructed and become operational at the same time as the main parts of the project. If a construction project is subjected to file the environmental impact report or the environmental impact statement, the project owner shall, after the completion of the construction project, make an environmental acceptance check of the project, prepare the environmental acceptance report and disclose such report to the public in accordance with relevant laws. The construction project may not be put into production or use until the constructed supporting environmental protection facilities are completed and have passed the acceptance check.

Pursuant to the Administrative Measures for Pollutant Discharge Permitting (Trial) (《排污許可管理辦法(試行)》), which was promulgated by the former Ministry of Environmental Protection on November 6, 2017 and became effective on January 10, 2018 and amended on August 22, 2019, the Ministry of Environmental Protection shall develop and issue according to law a classification administration list of pollutant discharge permit for fixed pollution sources. The enterprises, public institutions and other business operators on the list shall apply for and obtain a pollutant discharge permit according to the prescribed application time limit. Pursuant to the Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》), which was promulgated by the Ministry of Ecology and Environment on December 20, 2019, the pollutant discharge management is classified into three degrees, the key focused management, the simplified management, and the registration management. Business operators which product and discharge very small amounts of pollutants and have little impact on the environment are subjected to registration administration; such business operators do not need to apply for a pollutant discharge permit, but only need to register and file on a designated platform.

According to the Law of the PRC on the Prevention and Control of Environmental Pollution caused by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) which was promulgated by the SCNPC on October 30, 1995 and amended on December 29, 2004, June 29, 2013, April 24, 2015, November 7, 2016 and April 29, 2020, entities that generate industrial solid wastes shall establish a sound responsibility system for the prevention and control of environmental pollution in the whole process of generation, collection, storage, transportation, utilization and disposal of industrial solid wastes, establish administrative ledgers for industrial solid wastes and record the types, quantities, flow directions, storage, utilization, disposal and other information of the generated industrial solid wastes truthfully, so as to achieve the traceability and querying of industrial solid waste, and take measures for the prevention and control of environmental pollution caused by industrial solid wastes. If an entity that generates industrial solid wastes entrusts other parties to transport, utilize or dispose of industrial solid waste, it shall verify the qualifications and technical capability of the entrusted party and enter into a written contract in accordance with the law and the pollution prevention and control requirements shall be stipulated in the contract. Entities that generate industrial solid wastes shall obtain a Pollutant Discharge Permit. Producers and business operators shall observe the compulsory standards for restricting excessive packaging of products to avoid excessive packaging.

According to the Law of the PRC on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》) which was promulgated by the SCNPC on September 5, 1987 and amended on August 29, 1995, April 29, 2000, August 29, 2015 and October 26, 2018, enterprises such as iron and steel, building materials, non-ferrous metals, petroleum and chemical enterprises that discharge dust, sulfide and nitrogen oxides in the production process shall adopt clean production techniques, build supporting facilities for dust removal, desulphurization, denitrification, or take other measures such as technical transformation to control the discharge of air pollutants. For the production, import, sale and use of raw materials and products containing volatile organic compounds, the content of volatile organic compounds shall comply with relevant quality standards or requirements. Production and service activities generating waste gases containing volatile organic compounds shall be conducted in confined space or equipment, and pollution prevention and control facilities shall be installed and used in accordance with relevant provisions; where such activities cannot be conducted in confined space or equipment, measures shall be taken to reduce the emission of waste gases. Enterprises such as iron and steel, building materials, non-ferrous metals, petroleum, chemicals, pharmaceuticals and mining enterprises shall strengthen refined management, adopt measures such as centralized collection and treatment to strictly control the emission of dust and gaseous pollutants. Industrial production enterprises shall take measures such as confinement, enclosure, covering, cleaning and watering to reduce the emission of dust and gaseous pollutants generated from the storage, transportation, loading and unloading of internal materials.

According to the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) which was promulgated by the SCNPC on May 11, 1984 and amended on May 15, 1996, February 28, 2008 and June 27, 2017, enterprises that discharge industrial effluent shall take effective measures to collect and treat all the effluent generated so as to prevent environmental pollution. Industrial effluent containing toxic or hazardous water pollutants shall be separately collected and treated and shall not be discharged upon dilution. Where industrial effluent is discharged to centralized sewage treatment facilities, such industrial effluent shall be pre-treated in accordance with relevant provisions of the state and may not be discharged until it meets the treatment technical requirements of centralized treatment facilities. Enterprises shall adopt clean technology with high efficiency in the utilization of raw materials and low pollutant discharges and strengthen management to reduce the generation of water pollutants.

According to the Regulations on Urban Drainage and Sewage Disposal promulgated by the State Council on October 2, 2013 and became effective on January 1, 2014, the drainage entities and individuals within the coverage of urban drainage facilities shall discharge sewage into urban drainage facilities in accordance with the relevant provisions of the state. Enterprises, institutions and individually-owned businesses engaged in the activities of industry, construction, catering and medical treatment that discharge sewage into the urban drainage facilities shall apply to the relevant competent urban drainage authorities for the Permit for Sewage Discharge into the Drainage Pipelines and shall discharge sewage according to the requirements of such permit.

According to the Law of the PRC on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》) promulgated by the SCNPC on October 29, 1996 and amended on December 29, 2018, where a construction project might cause environmental noise pollution, the entity undertaking the project must prepare an environment impact report which includes the measures to be taken to prevent and control such pollution, and submit it, following the procedures prescribed by the state, to the competent department for ecology and environment for approval. Facilities for prevention and control of environmental noise pollution must be designed, built and put into use simultaneously with the subject of a construction project. Before a construction project is put into production or use, its facilities for prevention and control of environmental noise must be inspected according to the standards and procedures stipulated by the state.

Regulations in relation to Fire Protection

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) which was promulgated by the SCNPC on April 29, 1998 and amended on October 28, 2008 and April 23, 2019, the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards of project construction. For construction projects that require fire protection design in accordance with national engineering construction fire protection technical standards, a construction project fire protection design review and acceptance system shall be implemented. When the construction project which should apply for fire control acceptance according to the housing and urban-rural construction department of the State Council stipulations is completed, the construction unit shall apply to the housing and urban-rural construction department for fire control acceptance. Where the housing and urban-rural development authority under the State Council requires that an application for fire prevention final inspection of an as-built construction project should be filed, the constructing party shall file such an application to the housing and urban-rural development authority. For a construction project other than one specified in the preceding paragraph, the constructing party shall report to the housing and urban-rural development authority after final inspection for record, and the housing and urban-rural development authority shall conduct spot checks. Construction projects that are subject to fire inspection and acceptance in accordance with the laws can not be put into use if they have not been accepted or are unqualified in fire inspection and acceptance; other construction projects that fail to pass the spot checks according to law shall be stopped using.

Regulations in relation to Foreign Exchange Control

Pursuant to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) which was promulgated by the State Council on January 29, 1996 and amended on January 14, 1997 and August 5, 2008, international payments in foreign currencies and transfer of foreign currencies under current items shall not be restricted. Foreign currency transactions under the capital account are still subject to limitations and require approvals from, or registration with SAFE or its local counterpart and other relevant PRC governmental authorities.

Pursuant to the Regulation of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) which was promulgated on June 20, 1996 by the People's Bank of China and became effective on July 1, 1996, the foreign-invested enterprises may only buy, sell or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial supporting documents and, in the case of capital account item transactions, obtaining approvals from the SAFE or its local counterpart.

On June 9, 2016, the SAFE promulgated the Circular of SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**"). The SAFE Circular 16 comes into force as of the date of promulgation. The SAFE Circular 16 stipulates that the use of foreign exchange incomes of capital accounts by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. Domestic institutions may settle their foreign exchange receipts under the capital account (including foreign exchange capital, foreign debts and repatriated funds raised through overseas listing) and are entitled to discretionary settlement according to relevant policies with banks as actually needed for business operation. Violations of the SAFE Circular 16 could result in administrative penalties in accordance with the Regulations of the People's Republic of China on Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) and relevant provisions.

On October 23, 2019, the SAFE promulgated the Circular of the SAFE on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "**SAFE Circular 28**"), which cancelled the restriction on domestic equity investment by non-investment foreign-invested enterprises with their capital funds. Pursuant to the SAFE Circular 28, non-investment foreign-invested enterprises shall be allowed to use their capital funds for domestic equity investment in accordance with the laws on the premise of not violating the applicable Negative List and the authenticity and compliance of their domestic invested projects.

According to the Circular of SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (the "**SAFE Circular 8**") promulgated and became effective on April 10, 2020 by the SAFE, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and funds raised in overseas listing, etc., for local payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

The SAFE promulgated the SAFE Circular on Relevant Issues Relating to the Administration of Foreign Exchange on Domestic Residents' Overseas Investment and Financing and Roundtrip Investment through Special Purpose Vehicles Circular (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**") on July 4, 2014. The SAFE Circular 37 requires PRC residents to register with the local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. Failure to comply with the SAFE registration requirements could result in liability under PRC law for evasion of foreign exchange controls. The Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by SAFE on February 13, 2015 and became effective on June 1, 2015 provides that the bank instead of SAFE can directly handle the initial foreign exchange registration and amendment registration under SAFE Circular 37.

Regulations in relation to Employment and Social Welfare

The Labour Law and the Labour Contract Law

According to the PRC Labor Law (《中華人民共和國勞動法》) which was promulgated by the SCNPC on July 5, 1994 and amended on August 27, 2009 and December 29, 2018, the PRC Labor Contract Law (《中華人民共和國勞動合同法》) which was promulgated by the SCNPC on June 29, 2007 and amended on December 28, 2012, and the Implementing Regulations of the Employment Contracts Law of the PRC (《中華人民共和國勞動合同法實施

條例》) which was promulgated by the State Council on September 18, 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. In addition, wages cannot be lower than local minimum wage. The employers must establish a system for labor safety and sanitation, strictly abide by State rules and standards, provide education regarding labor safety and sanitation to its employees, provide employees with labor safety and sanitation conditions and necessary protection materials in compliance with State rules, and carry out regular health examinations for employees engaged in work involving occupational hazards.

According to the Interim Provisions on Labour Dispatch (《勞務派遣暫行規定》) which was promulgated by the Ministry of Human Resources and Social Security on January 24, 2014 and became effective on March 1, 2014, an employer may employ dispatched workers in temporary, auxiliary or substitutable positions only and shall strictly control the number of dispatched workers employed which shall not exceed 10% of the total number of its workers.

Social Insurance and Housing Fund Regulations

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated by the SCNPC on October 28, 2010 and amended on December 29, 2018, and the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》) which was promulgated by the State Council on January 22, 1999 and amended on March 24, 2019, employers are required to provide their employees in the PRC with welfare schemes covering pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance. If an employer does not pay the full amount of social insurance premiums as required by law, the social insurance premium collection institution shall order the employer to make the payment or make up the difference within the stipulated period and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If such overdue payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment.

Pursuant to the Regulations on the Housing Provident Fund of the PRC (《住房公積金管理條例》), which was promulgated by State Council on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, enterprises must complete registration at the competent administrative center of housing provident fund and go through the procedures of opening the account of housing provident fund for their employees at the relevant bank upon the registration by such administrative center of housing provident fund. Enterprises are also obliged to timely pay and deposit housing provident fund for their employees in full amount. Where an employer is overdue in the payment of or contributions to the housing provident fund, the authority shall order it to make the payment within a prescribed time limit; where the payment has not been made after the expiration of the time limit, an application may be made to a People's Court for compulsory enforcement.

Regulations in relation to Taxation

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) which was promulgated by the NPC on March 16, 2007 and amended on February 24, 2017 and December 29, 2018, and the Implementing Regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which was promulgated by the State Council on December 6, 2007 and amended on April 23, 2019, other than a few exceptions, the income tax rate for both domestic enterprises and foreign-invested enterprises is 25%. Enterprises are classified as either "resident enterprises" or "non-resident enterprises". Besides enterprises established within the PRC, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate for their global income. A non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. An income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. High-tech enterprises to which the state needs to give key support are subject to the reduced enterprise income tax rate of 15%.

Pursuant to the Administrative Measures for Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》) which was promulgated by the Ministry of Science and Technology, the Ministry of Finance (the "**MOF**") and the SAT which became effective on January 1, 2008 and was amended on January 29, 2016, the certificate of a high-tech enterprise is valid for three years. An enterprise shall, after being accredited as a high-tech enterprise, fill out and submit the statements on annual conditions concerning the intellectual property rights, scientific and technical personnel, expenses on research and development and operating income for the previous year on the "website for the administration of accreditation of high-tech enterprises" (高新技術企業認定管理工作網). If a high-tech enterprise is renamed or in the event of any major change relating to the certification conditions (such as division, merger, restructuring and change of business operations, among others), the enterprise shall report to the certification authority within three months. If the certification conditions are met upon examination by the certification authority, the qualification of the enterprise as a high-tech enterprise shall remain unchanged; if the enterprise is renamed, the certification certificate shall be reissued and the number and validity period thereof shall remain unchanged; or if the certification conditions are not met, the enterprise shall be disqualified as a high-tech enterprise from the year when it is renamed or any condition changes.

According to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅

和防止偷漏稅的安排》) (the "**Double Tax Avoidance Arrangement**") which was promulgated and came into effect on August 21, 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) which was promulgated and came into effect on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement on Certain Issues with Respect to the "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》) issued by the SAT on February 3, 2018 and effective from April 1, 2018, if an applicant's business activities do not constitute substantive business activities, it could result in the negative determination of the applicant's status as a "beneficial owner", and consequently, the applicant could be precluded from enjoying the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Value Added Tax

Pursuant to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on December 13, 1993 and amended on November 5, 2008, February 6, 2016 and November 19, 2017, and the Implementation Rules of the PRC Interim Regulations on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF on December 25, 1993 and amended on December 15, 2008 and October 28, 2011, entities or individuals that sell goods or provide labour services of processing, repair or replacement, and that sell services, intangible assets or immovables, or that import goods within the territory of the PRC are taxpayers of value-added tax. Unless stated otherwise, the tax rate for value-added tax payers who are selling goods, labour services, or providing tangible movable property leasing services or importing goods shall be 17%.

On November 16, 2011, the MOF and the SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》). Since January 1, 2012, the PRC government has been gradually implementing a pilot program in certain provinces and municipalities, to levy a value-added tax at the rate of 11% or 6% on the taxable income generated from certain kinds of services in lieu of the 5% business tax. On March 23, 2016, the MOF and the SAT released the Circular on the Nationwide Implementation of Transformation Pilot Program of Value-Added Tax in Lieu of Business Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) and its appendices, according to which the pilot program of value-added tax in lieu of business tax was implemented nationwide from May 1, 2016. Pursuant to the Decision of the State Council on Repealing the Interim Regulation of the PRC on Business Tax and Amending the Interim Regulations of the PRC on

Value-Added Tax (《國務院關於廢止〈中華人民共和國營業税暫行條例〉和修改〈中華人民共和國增值税暫行條例〉的決定》) promulgated by the State Council on November 19, 2017, the business tax has been abolished.

According to the Notice of the MOF and the SAT on Adjusting the Value-added Tax Rates (《財政部、國家税務總局關於調整增值税税率的通知》) which was promulgated by the MOF and the SAT on April 4, 2018 and became effective on May 1, 2018, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previously applicable 17% and 11% tax rates were adjusted to 16% and 10% respectively. In addition, on March 20, 2019, the MOF, the SAT and General Administration of Customs released the Announcement on Policies for Deepening the Value Added Tax Reform (《關於深化增值税改革有關政策的公告》), according to which for general value added tax payers' sales activities or imports that were subject to value added tax at an existing applicable rate of 16% or 10%, the applicable value added tax rate was adjusted to 13% or 9% respectively.

LAWS AND REGULATIONS IN VIETNAM

Overview

Our Group commenced its business activity in Vietnam on June 24, 2020 by setting up its indirect owned subsidiaries, Vietnam Bestwin as a foreign enterprise in Vietnam.

During the Track Record Period, the business activity of Vietnam Bestwin, namely the manufacturing operations are located in Vietnam and therefore subject to the relevant laws and regulations in Vietnam. These include, but are not limited to, laws and regulations relating to foreign investment and incorporation, labor, environment, consumer protection, protection of personal information, protection of trade secret, intellectual property rights, the importation and exportation of goods, competition law and tax law in Vietnam.

Business and Foreign Investment in Vietnam

The legal framework for a foreign enterprise in Vietnam is set out in the Law on Enterprises 2015 and the Law on Investment 2015 as replaced by Law on Enterprises 2020 and Law on Investment 2020 from January 1, 2021 respectively.

All validly existing private business enterprises in Vietnam must have an Enterprise Registration Certificate ("**ERC**").

For foreign investors and companies in which foreign investors hold more than 51% (which will be reduced from 51% to more than 50% from January 1, 2021) of equity, in addition to the ERC, the foreign investors and or foreigner enterprises are required to obtain an Investment Registration Certificate ("**IRC**").

The IRC is not required for domestic investors or enterprises where foreign investors hold 51% (which will be reduced from 51% to more than 50% from January 1, 2021) or less of equity and not in conditional investment sectors. Moreover, an IRC is not required when foreign investors invest more than 51% (which will be reduce from 51% to more than 50% from January 1, 2021) in existing Vietnamese companies that are not in conditional investment sectors.

Environmental Protection in Vietnam

Our manufacturing operations in Vietnam are subject to the Law on Protection of the Environment 2015 and the relevant sub-legislations thereunder. The law and regulations require Vietnam Bestwin to prepare an Environmental Impact Assessment Report ("**EIAR**") or Environmental Protection Plan for manufacturing operations before construction of the factory.

Under the Law, wastes must be managed in all stages of generation, reduction, sorting, collection, transportation, reuse, recycling and destruction.

During the manufacturing operations period, Vietnam Bestwin is also required to conduct an environment observation plan and report the outcomes to the industrial zone management and the local environment authorities or to register and report on the dangerous waste to the industrial zone owner on a regular basis.

Vietnam Bestwin must comply with Vietnam's environmental laws and regulations, failing which, Vietnam Bestwin will be subject to civil and criminal penalties, the most severe of which is the withdrawal of the investment registration certificate.

Labour Protection and Social Security and Occupational Safety in Vietnam

Pursuant to the Labour Code 2012 in Vietnam, Vietnam Bestwin must enter into a written labor contact with any employee except where the employee who works for less than three (3) months (reduced from three (03) months to one (01) month from January 1, 2021). The agreed wage must be mentioned in the labor contracts in which the minimum wage must be at least the regional minimum wage regulated by the law.

Pursuant to the Labour Code 2012, Vietnam Bestwin is allowed to employ foreigners for the working position which the Vietnamese employees are unable to satisfy the work requirements. Vietnam Bestwin must obtain the consent from the provincial people's committee prior to recruiting any foreigner to work in Vietnam.

Pursuant to the Law on Social Insurance and Law on Health Insurance, both Vietnam Bestwin and employees who have signed a labor contract for 3 months or more are required to contribute to mandatory social insurance and health insurance. The parties are also are required to contribute to additional unemployment insurance for those who have signed a labor contract for 12 months.

Pursuant to Law on Trade Union 2012 allows employees of enterprises have the right to establish trade unions.

Vietnam Bestwin must contribute to the trade union fund which is equivalent to 2% of the salary funds serving as the basis for social insurance premiums for the employees (regardless of the trade union is established or not). Such trade union funds must be paid once a month and at the same time of paying the Social Insurance Premium for the employees.

Consumer Protection in Vietnam

The Law on Consumer Protection 2010 which took effect on July 1, 2011 and replaced the Ordinance on Consumer Protection provides the consumers with greater protection. Vietnam Bestwin has the obligation to ensure that the quality of the product and Vietnam Bestwin has an obligation to exchange goods or offer refund during the warranty period where the warranty has been called on more than three times but the fault remained unresolved.

On discovery that the goods are defective, Vietnam Bestwin must promptly take all necessary measures to stop the supply of the defective goods on the market and must make a public announcement that the goods are defective. Vietnam Bestwin is liable to pay compensation for loss and damage if the goods which they supply are defective and cause loss of life or damage, including where they were unaware of the defect (except if the defect was undiscoverable by scientific or technical standards when Vietnam Bestwin supplied the goods).

Personal Information Protection in Vietnam

Data protection, more specifically, the right to privacy and confidentiality of information is a fundamental right enshrined in the Vietnamese Constitution.

There is no single comprehensive legal document regulating data privacy in Vietnam. However, there are a number of laws and regulations with provisions to protect personal data privacy. The key principle across these documents is that the information owner must consent to the collection, processing and use of their personal information and the use of such information must be in accordance with prior stated purposes.

Additionally, personal information must not be disclosed or revealed or transferred to any third parties without the information owner's consent in network information, in e-transaction and in banking sector.

Sanctions ranging from administrative sanctions and fines to criminal liability for particularly serious violations are set out in legislation. Additionally, compensatory damages may be awarded in successful lawsuits.

Trade Secret Protection in Vietnam

Trade secret is the information obtained from activities of financial and or intellectual investment, which has not been disclosed and can be used for in business.

Pursuant to Article 127 of the Intellectual Law 2005, Vietnam Bestwin is required to seek the trade secret owner's consent before it decides to use and/or disclose any information pertaining to the trade secret. Accessing and acquiring information pertaining to any trade secret by taking acts against the security protection of the owners of the trade secret shall be regarded as infringement of the right of the trade secret.

Competition Law in Vietnam

The Competition Law provides for acts in restriction of competition, acts of unfair competition, order and procedure for setting competition cases, and measures to handle violations of the law.

(a) Restrictive Agreements and Practices

Anti-competitive practices are defined as enterprise practices that reduce, distort or hinder competition in the market, including practices being agreements in restraint of competition, abuse of dominant market position, abuse of monopoly position and economic concentration.

Violations of competition-restricting agreements may lead to administrative sanctions or criminal penalties. Regarding the administrative penalties, competition-restricting agreements are penalized with a fine of up to 10% of the total revenue of the enterprise for the previous year and the potential confiscation of material evidence and facilities used to commit the breach.

Vietnam's Penal Code 2015, specifically imposes criminal sanctions for violations relating to competition-restricting agreements, and also introduces the concept of corporate criminal liability. Accordingly, a company can be fined up to VND5 billion and be forced to suspend operations from between six months to two years, and prohibited from doing business or operating in certain business activities or prohibited from raising capital from one to three years.

(b) Unilateral Conduct

An enterprise or a group of enterprises holding a dominant market position cannot abuse its position.

When enterprises hold a dominant market position, they cannot:

- Sell goods or services at prices lower than aggregate costs in order to eliminate competitors.

- Impose irrational buy/sell prices of goods or services or fix minimum resale prices.
- Restrict production or distribution of goods, limiting markets.
- Impose dissimilar commercial conditions in similar transactions in order to create competitive inequality.
- Impose conditions on other enterprises to conclude purchase or sales contracts.
- Prevent new competitors from entering the market.

An enterprise will be considered to be a monopoly if there is no enterprise competing in the goods and services in which such enterprise conducts business in the relevant market. Monopolies are prohibited from engaging in the same practices as enterprises holding a dominant market position and monopolies cannot impose disadvantageous conditions on their customers or abuse their monopolistic position to unilaterally cancel or change a signed agreement.

Vietnam Bestwin's business in Vietnam is subject to the Vietnam's Competition Law 2018.

Import and Export Licensing

Vietnam Bestwin must register with the Department of Planning and Investment (DPI) in order to be able to conduct import and or export business in Vietnam.

According to *Circular 34/2013/TT-BCT*, there are certain goods that foreign invested enterprises may not export from or import into Vietnam. Goods banned for export include petroleum oil. Goods banned from import into the country include cigars, tobacco, petroleum oils, newspapers and journals, and aircraft.

Certain goods require the trading company to obtain import and export permits from the government, as per Appendix I of Decree 68/2018/ND-CP.

All imports and exports must comply with the relevant government regulations on quarantine, food safety, and quality standards, and must be inspected by the relevant government agencies before clearing customs.

Vietnam Bestwin has registered production of mosquito repellent products as its main business. The mosquito repellent products does not fall under any category of the banned goods for export and import under Vietnamese Law. Notwithstanding the above, Vietnam Bestwin is still required to comply with the Vietnamese law and regulations regulated by the relevant authorities from time to time.

Regulations on Labelling

The regulations on Labels and Decree No. 43/2017/ND-CP dated April 14, 2017 impose various requirements and guidance on labelling (i) goods produced in Vietnam to be circulated domestically or to export to overseas and (ii) goods produced overseas and imported for consumption in the Vietnamese market. Accordingly labelling requires clear scripts, numbers, drawings, pictures, signals, and symbols consistent with the nature of goods. Unclear notes that can cause mistakes with other goods shall be prohibited.

The export goods can be labelled in languages of import regions, countries under supply contracts. The import goods shall be labelled in Vietnamese for obligatory contents (except some particular events). If the label does not state or state not fully obligatory contents (name of goods, business address, origin and particular requirements of each kind of goods), a sub-label stating such obligatory contents in Vietnamese shall be required and original labels shall be kept unchanged. Contents stated in Vietnamese shall correspond to the original labels.

Intellectual Property Right Protection in Vietnam

Vietnam's National Assembly passed the Law on Intellectual Property in 2005, which was amended and supplemented in 2009 and 2019. Intellectual property is generally defined as "a work or invention that is the result of creativity, such as a manuscript or a design, to which one has rights and for which one may apply for a patent, copyright and trademark."

Generally, except for trade secrets, geographic indications, and trade names (which are entitled to legal protection as far as it fulfills the conditions of formation and usage), intellectual property rights are protected in Vietnam upon registration on a first-to-file priority basis.

Vietnam Bestwin has not registered any intellectual property right in Vietnam.

Infringement of Intellectual Property Rights

Under the Penal Code 2015 and the Decree No. 99/2020/ND-CP dated March 26, 2020, acts of trading and production of goods in infringement of intellectual property rights are subject to administrative penalties.

Trading and production of goods in infringement of intellectual property rights is subject to administrative penalties, as regulated in Decree No. 99/2013/ND-CP. The main administrative sanctions consist of a caution and pecuniary fine and the maximum pecuniary fine is VND 500 million. Additional sanctions include the confiscation of material evidence and means used for committing the violation, and definite suspension of the business operation.

Taxation in Vietnam

(a) Tax Resident Business

Vietnam does not explicitly define "tax residence" for business vehicles. However, business vehicles will be regarded as having Vietnamese tax residence if incorporated in Vietnam. Tax resident businesses are subject to corporate income tax ("**CIT**") and taxed on worldwide income.

(b) Non-tax Resident Business

Non-tax resident business is a business vehicle incorporated outside of Vietnam but having Vietnam-sourced income (for example, income derived from carrying out business in Vietnam or engaging in a transaction with a Vietnamese contracting party). This is regardless of whether the services are performed inside or outside of Vietnam. Non-tax resident business is referred to as "foreign contractor" under Vietnamese tax laws.

Foreign contractors are subject to foreign contractor tax ("**FCT**"), which consists of CIT and Value Added Tax ("**VAT**") and are taxed through a withholding mechanism. FCT rates vary and are specified according to the nature of the service supplied. For the CIT component, the rate varies from 0.1% to 10%. For the VAT component, the rate can range from exempted to 5%.

Types of Tax

(a) Corporate Income Tax

Corporate Income Tax ("**CIT**") is a direct tax levied on the profits earned by companies or organizations. All income arising inside Vietnam is subject to CIT, no matter whether a foreign enterprise has a Vietnam-based subsidiary or whether that subsidiary is considered a permanent establishment.

Our Company and its manufacturing operations in Vietnam are subject to the tax rates imposed under the CIT. As of January 1, 2016, the standard corporate income tax rate is 20%.

(b) Value Added Tax

The Value Added Tax ("**VAT**") Law in Vietnam are based on the Law on VAT No.13/2008/QH12 dated June 3, 2008 and Law No.31/2013/QH13 (the Law on Amendment of VAT) dated June 19, 2013 which amends the Law on VAT by the Vietnam's National Assembly. The Law on Amendment of VAT came into effect on January 1, 2014.

VAT applies to the provision of goods and services used for the purposes of production, trading, and consumption in Vietnam. However, the goods which are sold for export and services which are sold to customers abroad are normally not subject to VAT. The standard rate of VAT is 10%. Reduced rates and exemptions are provided for certain categories.

Registration of VAT is a compulsory procedure for all enterprises and individuals in order to run a business in Vietnam.

Generally, each taxable person will be required to register and obtain a single tax code for declaration and payment of tax to state authorities.

(c) Business License Tax

Business License Tax ("**BLT**") is imposed on the enterprises in accordance with the registered capital in the business registration licence or the investment licence, ranging from VND1 million to VND3 million per year. Payment of BLT is due on the registration of business for tax purposes and subsequently on an annual basis.

The rate of collecting such BLT for enterprises that have production activity, trading goods and services that have charter capital or invested capital over VND10 billion is VND3 million per year and for enterprises with charter capital or invested capital under VND10 billion will be VND2 million per year; branches, representative offices, places of business and other economic organizations will pay VND1 million per year.

(d) Import and Export Duties

Most goods imported and exported across the borders of Vietnam, or which pass between the domestic market and a non-tariff zone, are subject to import/export duties. Exceptions to this include goods in transit, goods exported abroad from a non-tariff zone, goods imported from foreign countries into non-tariff areas for use in non-tariff areas only, and goods passing from one non-tariff zone to another.

Most goods and services being exported are exempt from tax. Export duties (ranging from zero percent to 45 percent and computed on free-on-board (FOB) price) are only charged on a few items, mainly natural resources such as minerals, forest products, and scrap metal.

Consumer goods, especially luxury goods, are subject to high import duties, while machinery, equipment, materials and supplies needed for production, especially those items which are not produced domestically, enjoy lower rates of import duties, or even a zero percent tax rate. Duty rates for imported goods include preferential rates, special preferential rates, and standard rates depending on the origin of the goods.

(e) Stamp duty

Generally, stamp duty (formally known in Vietnam as a "Registration Fee") applies on the required registration of ownership of certain assets, including buildings, land, transportation vehicles and guns in Vietnam. Stamp duty rates range from 0.5% to 20%.

(f) Transfer pricing

The Government and the Ministry of Finance released Decree No. 20/2017/ND-CP dated February 24, 2017 and Circular 41/2017/TT-BTC dated April 28, 2017 which are the largest development of domestic transfer pricing regime since the implementation of Circular 66/2010/TT-BTC in 2010.

The principle is that, transactions between related parties must be made on an arm's length basis. Failure to comply with the arm's length principle implies an exposure to a reassessment of prices or profits for tax purposes which may be accompanied by penalties and interest charges (to some extent, this literally implies that the tax authorities may set transfer prices for Vietnam Bestwin if there is no supporting TP documentation). The adjustments entail wider consequences in terms of an altered tax profile and possible adverse publicity.

The tax authorities can make adjustments if they have reasons to believe that the transactions were not conducted on arm's length basis (that is, at a price lower than the market price). The market prices are determined by a number of methods using: (i) comparison of prices in independent transactions; (ii) reselling prices; prime cost plus profits; (iii) profit comparison; and (iv) profit division.

Foreign Exchange

VND is subject to foreign exchange control and is not freely convertible. The payment and remittance of foreign currencies whether inbound, outbound or within Vietnam are subject to controls by the State Bank of Vietnam ("**SBV**") and by the banking system in general.

Pursuant to Article 3 of the Circular 32/2013/TT-NHNN issued by the SBV, all transactions, payments, listings, advertisements, quotations, setting prices and recording prices in contracts and agreements and other similar forms of both residents and non-residents within the territory of Vietnam be effected in VND subject to certain permitted exceptions permitted by the regulations of the SBV.

Vietnam Bestwin can purchase foreign currency from licensed credit institutions for certain permitted transactions such as payments for imports and services abroad, repayment of certain loans and the payment of interest accrued thereon and repatriation of investments from Vietnam, subject to submission to the remitting bank of supporting documents evidencing the legitimate purpose of purchasing and remitting foreign currency.

Pursuant to the Law on Investment 2014 and the Foreign Exchange Control Regulations, Vietnam Bestwin is allowed to remit dividends in foreign currency to its foreign shareholders in overseas. Subject to the Companies' fulfilment of all financial obligations toward Vietnamese government, there is no profit remittance tax imposed on the same but Vietnam Bestwin is required to notify the tax authorities of the plan to remit profits at least 7 working days prior to the scheduled remittance.

OUR HISTORY AND DEVELOPMENT

Our Company was incorporated in the Cayman Islands on April 11, 2018 and, as part of the Reorganization, became the holding company of our subsidiaries. We operate our business through three main segments: household care products, personal care products and pet care products and have further developed these segments into a multi-brand product portfolio. Guangzhou Cheerwin is the onshore holding company of our Group and we have established a number of operating subsidiaries in the PRC.

Our History

Mr. KX Chen and Mr. KC Chen have extensive experience in the household chemicals market in the PRC. Mr. KX Chen and Mr. KC Chen, who are brothers, have been engaging in the household chemicals business since 1990s. In 1994, Mr. KX Chen and Mr. KC Chen founded the Liby Group and began their involvement in the production and sales of laundry detergent, laundry powder and fabric softener. As of the Latest Practicable Date, Liby Group (including Guangzhou Liby, its subsidiaries and other associated entities) was at least 95.0% owned and controlled by our Controlling Shareholders except for Tianjin Liby Sales which was held as to 35.0% and 65.0% by Mr. KC Chen and son of Mr. KX Chen, respectively.

Our Group's history can be traced back to 2006 when Mr. KX Chen and Mr. KC Chen established Anfu Cheerwin for the purpose of expanding their household chemicals business to cover other household care products, such as household cleaning products, mosquito repellent-related products and air fresheners. At the time of establishment, Anfu Cheerwin was owned by Mr. KX Chen as to 65.0% and Mr. KC Chen as to 35.0%. Our business was operated through a number of companies as the Cheerwin Business Division prior to late 2017. Subsequently, as a result of the Reorganization, Anfu Cheerwin became an indirect wholly-owned subsidiary of Guangzhou Cheerwin which serves as an exclusive platform of our Group to carry out the production and sales of household hygiene products in the PRC, covering a wide range of products from household cleaning products, household insecticides and repellents, air care products, disinfectant products, household supplies, skin care products, hair and body care products, Florida Water to pet care products under seven well-known brands namely, Vewin (威王), Superb (超威), Babeking (貝貝健), Cyrin (西蘭), Rikiso (潤之素), Naughty Buddy (倔強的尾巴) and Dux (德是).

Key Business Milestones

The following is a summary of our Group's key business development milestones:

Year	Milestone event
2006	• Our first production base built on self-owned property, Anfu Cheerwin was established and operated in Ji'an, Jiangxi Province.
	• We launched our multi-brand portfolio products under our "Superb" and "Cyrin" brands in the PRC.

Year	Milestone event
2010	• We launched new mosquito repellents with new formula under a new "Babeking" brand to cater for the special needs of children.
2011	• We launched a new household cleaning product line under "Vewin" brand in the PRC.
	• Our second production base, Panyu Cheerwin was established and operated in Guangzhou, Guangdong Province.
2012	• We developed the first household natural insect neutralizing aerosol which was made of natural plant extracts in the PRC.
2015	• We started our business cooperation with KINCHO (大日本除蟲菊株式會社).
	• Our Group ranked first in China's household insecticides and repellents market based on retail sales since 2015.
2016	• Cyrin Aerosol Air Freshener (西蘭空氣清新噴霧) was recognized as the China Environmental Labeling Product (中國環境標誌產品) by China Environmental United (Beijing) Certification Center Co., Ltd. (中環聯合(北京)認證中心有限公司).
2017	• Our "Vewin" brand was recognized as "Guangdong Famous Trademark (廣東省著名商標)" by Guangdong Famous Trademark Review and Adjudication Board (廣東省著名商標評審委員會).
2018	• We were awarded "Top 10 Enterprise of Sundry Articles Industry in China Light Industry of 2018" (2018年中國輕工業日用雜品行業十強企業) by China National Light Industry Council (中國輕工業聯合會) and China Sundry Articles Industrial Association (中國日用雜品工業協會).
2019	• We launched "Naughty Buddy (倔強的尾巴)" and "Dux" brands for our pet care products to cater for the needs of families with pets in the PRC.
	• We have entered into the personal care market in China under the "Rikiso" brand.
	• We were awarded "Top 500 Enterprise of Guangdong Province Manufacturing Industry of 2019" (2019年廣東省製造業企業500強) by Guangdong Manufacturers Association (廣東省製造業協會), Industrial Development Agency of Guangdong (廣東省產業發展研究院) and Guangdong Province Research Centre for Enterprise Competitiveness of Social Sciences (廣東省社會科學院企業競爭力研究中心).

Year	Milestone event
	• Our subsidiary Anfu Cheerwin was recognized as a High-Tech Enterprise by Jiangxi Provincial Department of Science and Technology (江西省科學技術廳), Jiangxi Provincial Finance Department (江西省財政廳) and State Administration of Taxation Jiangxi Taxation Bureau (國家稅務總局江西省稅務局).
2020	• Cheerwin Biotechnology was included in the List of Key Enterprises for Prevention and Control of COVID-19 (First Batch) (新冠肺炎疫情防控重點保障企業名單(第一批)) by Ministry of Industry and Information Technology of People's Republic of China (中華人民共和國工業和信息化部).
	• We established Vietnam Bestwin in Vietnam, a joint venture company, with Xiamen Yuhao Investment Company Limited, in which we have 51.0% majority control.

OUR CORPORATE DEVELOPMENT

Set forth below are certain details of our major PRC operating subsidiaries which contribute a substantial amount of our Group's revenue and profits during the Track Record Period and as of the Latest Practicable Date:

Name	Establishment Date	Principal Business Activity
1. Guangzhou Cheerwin	October 19, 2018	Investment holding
2. Cheerwin Biotechnology	December 17, 2010	Sales of products
3. Anfu Cheerwin	July 11, 2006	Manufacture of products
4. Panyu Cheerwin	July 26, 2011	Manufacture of products
5. Guangzhou Yuncheng	February 6, 2018	Sales of products
6. Guangzhou Yuntuo	November 14, 2018	Sales of products
7. Shanghai Runzhisu	November 19, 2018	Sales of products

Name		Establishment Date	Principal Business Activity
8.	Shanghai Cheerwin	July 29, 2019	Sales of products
9.	Guangzhou Tongli(1)	December 3, 1992	Sales of products
10.	Leda Automobile	February 5, 2018	Sales of products

Note:

(1) Guangzhou Tongli was acquired by Cheerwin Biotechnology and became part of our Group on July 14, 2015.

As of the Latest Practicable Date, our Group had either established or acquired a number of operating subsidiaries in the PRC to carry out our business. Major shareholding changes of members of our Group which were material to the performance of our Group during the Track Record Period are set out below.

1. Guangzhou Cheerwin

Guangzhou Cheerwin was established on October 19, 2018 with a registered capital of RMB30.0 million, which was fully paid up in cash and was owned by Mr. KX Chen and Mr. KC Chen as to 65.0% and 35.0%, respectively. As part of the Reorganization, Guangzhou Cheerwin became the onshore holding company of all of our operating subsidiaries in the PRC after the implementation of the Reorganization. See "Reorganization" below.

2. Cheerwin Biotechnology

Cheerwin Biotechnology was established on December 17, 2010 as Guangzhou Cheerwin Rihua Company Limited (廣州超威日化股份有限公司) ("**Guangzhou Cheerwin Rihua**") by Tianjin Aotelai Investment Corporation (Limited Partnership) (天津澳特萊投資合夥企業(有限合夥)) ("**Tianjin Aotelai**") (as to 90.0%), Mr. KX Chen (as to 6.5%) and Mr. KC Chen (as to 3.5%) with a registered capital RMB5.0 million, which was fully paid up in cash. Tianjin Aotelai is a PRC limited partnership controlled by and owned as to 65.0% and 35.0% by Mr. KX Chen and Mr. KC Chen, respectively.

Guangzhou Cheerwin Rihua was renamed Guangzhou Cheerwin Biotechnology Company Limited (廣州超威生物科技有限公司) on November 14, 2018.

In November 7, 2019, as part of the Reorganization, Tianjin Aotelai, Mr. KX Chen and Mr. KC Chen transferred their respective equity interest in Cheerwin Biotechnology to Guangzhou Cheerwin and Cheerwin Biotechnology became a direct wholly-owned subsidiary of Guangzhou Cheerwin. See "Reorganization" below.

3. Anfu Cheerwin

Anfu Cheerwin was established on July 11, 2006 by Mr. KX Chen (as to 65.0%) and Mr. KC Chen (as to 35.0%) with a registered capital of RMB10.0 million. The registered capital was fully paid up. The registered capital of Anfu Cheerwin was increased to RMB30.0 million in April 12, 2007 by the injection of additional capital of RMB20.0 million by Mr. KX Chen, Mr. KC Chen and Faguo Kangliang Cosmetics Company Limited (法國康亮化妝品有限公司) ("**Faguo Kangliang**"), fully paid up by cash on May 12, 2008. Faguo Kangliang is an entity controlled by the spouses of Mr. KX Chen and Mr. KC Chen. As a result of the above capital injection, Anfu Cheerwin became a sino-foreign equity joint venture in March 2007 with a 45.5%, 30.0% and 24.5% equity interest held by Mr. KX Chen, Faguo Kangliang and Mr. KC Chen, respectively.

In December 31, 2019, as part of the Reorganization, Mr. KX Chen, Mr. KC Chen and Faguo Kangliang transferred their respective equity interest in Anfu Cheerwin to Cheerwin Biotechnology and Anfu Cheerwin became a direct wholly-owned subsidiary of Cheerwin Biotechnology. See "Reorganization" below.

4. Panyu Cheerwin

Panyu Cheerwin was established on July 26, 2011 by Cheerwin Biotechnology (as to 99.0%) and Tianjin Aotelai (as to 1.0%) with a registered capital of RMB30.0 million, fully paid up by cash. On November 22, 2011, Cheerwin Biotechnology transferred 51.0% of its equity interest in Panyu Cheerwin to Guangzhou Liby, a PRC company which was ultimately controlled by Mr. KX Chen and Mr. KC Chen, for a consideration of RMB3.06 million, which was determined with reference to the registered capital of Panyu Cheerwin at the time of the transfer.

On December 10, 2019, as part of the Reorganization, Tianjin Aotelai and Guangzhou Liby transferred their respective equity interest in Panyu Cheerwin to Cheerwin Biotechnology and Panyu Cheerwin became a direct wholly-owned subsidiary of Cheerwin Biotechnology. See "Reorganization" below.

5. Guangzhou Yuncheng

Guangzhou Yuncheng was established on February 6, 2018 as Guangzhou Lechong Pet Suppliers Company Limited (廣州樂寵寵物用品有限公司) ("**Lechong Pet**") by Cheerwin Biotechnology with a registered capital of RMB5.0 million, fully paid up by cash.

Lechong Pet was renamed Guangzhou Yuncheng Network Technology Company Limited (廣州雲成網絡科技有限公司) on August 31, 2020.

In November 27, 2019, as part of the Reorganization, Cheerwin Biotechnology transferred its equity interest in Guangzhou Yuncheng to Guangzhou Cheerwin and Guangzhou Yuncheng became a direct wholly-owned subsidiary of Guangzhou Cheerwin. See "Reorganization" below.

6. Guangzhou Yuntuo

Guangzhou Yuntuo was established on November 14, 2018 by Guangzhou Cheerwin with a registered capital of RMB1.0 million, fully paid up by cash.

7. Shanghai Runzhisu

Shanghai Runzhisu was established on November 19, 2018 by Guangzhou Cheerwin with a registered capital of RMB1.0 million, fully paid up by cash for the purpose of operating the "Rikiso" business.

8. Shanghai Cheerwin

Shanghai Cheerwin was established on July 29, 2019 by Guangzhou Cheerwin with a registered capital of RMB5.0 million, fully paid up by cash.

9. Guangzhou Tongli

Guangzhou Tongli was established on December 3, 1992 as a sino-foreign contractual joint venture with a registered and paid up capital of HK$1.4 million which was owned by two independent third parties as to 70.0% and 30.0%, respectively. With a view to further diversifying our product offerings, on July 14, 2015, Cheerwin Biotechnology acquired the entire equity interest of Guangzhou Tongli from the then shareholders, who are independent third parties, for an aggregate consideration of RMB1.6 million, which was determined based on the net asset value on or around March 31, 2015. Upon completion of the acquisition, Guangzhou Tongli became a PRC domestic enterprise and a direct wholly owned-subsidiary of Cheerwin Biotechnology.

In November 27, 2019, as part of the Reorganization, Cheerwin Biotechnology transferred its equity interest in Guangzhou Tongli to Guangzhou Cheerwin and Guangzhou Tongli became a direct wholly-owned subsidiary of Guangzhou Cheerwin. See "Reorganization" below.

10. Leda Automobile

Leda Automobile was established on February 5, 2018 by Cheerwin Biotechnology with a registered capital of RMB5.0 million, and to be fully paid up by cash.

In November 27, 2019, as part of the Reorganization, Cheerwin Biotechnology transferred its equity interest in Leda Automobile to Guangzhou Cheerwin and Leda Automobile became a direct wholly-owned subsidiary of Guangzhou Cheerwin. See "Reorganization" below.

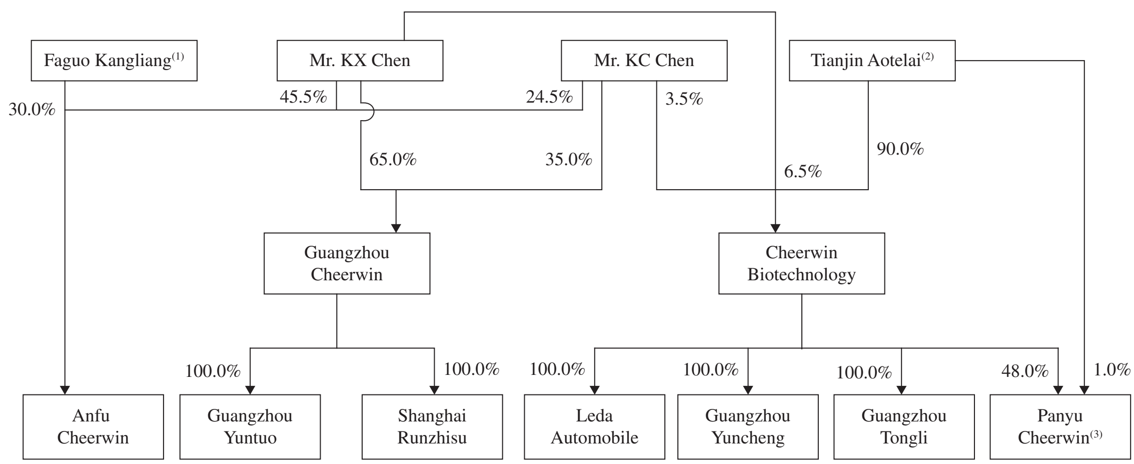
Major Acquisition and Disposals

Save as disclosed in "– Reorganization" in this section, throughout the Track Record Period and as of the Latest Practicable Date, we did not conduct any major acquisitions, disposals or merges.

REORGANIZATION

In anticipation of the Listing, we underwent the Reorganization pursuant to which our Company became the holding company and listing vehicle of our Group.

Set forth below is a diagram of our corporate structure immediately before the Reorganization:



Notes:

(1) Faguo Kangliang was owed by Ms. Li and Ms. Ma, who are Hong Kong permanent residents, as to 65.0% and 35.0%, respectively.

(2) Tianjin Aotelai is a PRC limited partnership owned and controlled by Mr. KX Chen and Mr. KC Chen, as to 65.0% and 35.0%, respectively.

(3) The remaining 51.0% equity interest was held by Guangzhou Liby.

1. Establishment of Offshore Shareholding Structure

Cheerwin Global BVI

Cheerwin Global BVI was incorporated in the BVI with limited liability on March 27, 2018. On the date of incorporation, 65 ordinary shares and 35 ordinary shares of Cheerwin Global BVI, each with a par value of US$1.00, were allotted and issued at par to Ms. Li and Ms. Ma, respectively.

On March 27, 2019, Cheerwin Global BVI allotted and issued 5,785 ordinary shares, 3,115 ordinary shares, 650 ordinary shares and 350 ordinary shares, each with a par value of US$1.00, at par to Ms. Li, Ms. Ma, Mr. KX Chen and Mr. KC Chen, respectively. Upon completion of the above allotment and issues and up to the Latest Practicable Date, Cheerwin Global BVI was held as to 58.5%, 31.5%, 6.5% and 3.5% by Ms. Li, Ms. Ma, Mr. KX Chen and Mr. KC Chen, respectively.

Cheerwin Group BVI

Cheerwin Group BVI was incorporated in the BVI with limited liability on March 27, 2018. On the date of incorporation, 65 ordinary shares and 35 ordinary shares of Cheerwin Group BVI, each with a par value of US$1.00, were allotted and issued at par to Ms. Li and Ms. Ma, respectively.

On March 27, 2019, our Company acquired all the issued shares of Cheerwin Group BVI from Ms. Li and Ms. Ma with a consideration of US$65 and US$35, respectively, which was fully paid at the time of transfer. As a result of the transfer and up to the Latest Practicable Date, Cheerwin Group BVI was wholly owned by our Company.

Cheerwin Group HK

Cheerwin Group HK was incorporated in Hong Kong with limited liability on April 13, 2018. On the same day, 65 ordinary shares and 35 ordinary shares of Cheerwin Group HK were allotted and issued to Ms. Li and Ms. Ma for a consideration of HK$65 and HK$35, respectively.

On March 27, 2019, Cheerwin Group BVI acquired the entire equity interest of Cheerwin Group HK from Ms. Li and Ms. Ma with a total consideration of HK$100, which was fully paid at the time of transfer. As a result of the transfer and up to the Latest Practicable Date, Cheerwin Group HK was wholly owned by Cheerwin Group BVI.

Cheerwin Global HK

Cheerwin Global HK was incorporated in Hong Kong with limited liability on April 13, 2018. On the same day, 65 ordinary shares and 35 ordinary shares of Cheerwin Global HK were allotted and issued to Ms. Li and Ms. Ma for a consideration of HK$65 and HK$35, respectively.

On June 26, 2020, Cheerwin Group HK acquired the entire equity interest of Cheerwin Global HK from Ms. Li and Ms. Ma with a total consideration of HK$100, which was fully paid at the time of transfer. As a result of the transfer and up to the Latest Practicable Date, Cheerwin Global HK was wholly owned by Cheerwin Group HK. Cheerwin Global HK is principally engaged in overseas online sales and has commenced operation in second quarter of 2020.

Vietnam Bestwin

Vietnam Bestwin was incorporated in Vietnam with limited liability on June 24, 2020. Since the date of establishment and up to the Latest Practicable Date, Vietnam Bestwin is owned as to 51% by Cheerwin Biotechnology and as to 49% by Xiamen Yuhao Investment Company Limited (廈門宇好投資有限公司), a PRC company beneficially owned by Mr. Hong Mingyu (洪明宇), Mr. Hong Zhenrong (洪振榮) and Ms. Hong Mingyi (洪明怡) who are independent third parties. Vietnam Bestwin is principally engaged in the production of mosquito repellent products and as of the Latest Practicable Date, it has not yet commenced operation.

2. Incorporation of our Company

On April 11, 2018, our Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorized share capital of US$50,000 divided into 50,000 shares with a par value of US$1.00 each. Upon its incorporation, one share with a par value of US$1.00 was allotted and issued to the initial subscriber at par, which was subsequently transferred on the same day to Ms. Ma. On the same day, our Company also allotted and issued 34 shares and 65 shares, each with a par value of US$1.00, at par to Ms. Ma and Ms. Li, respectively.

On March 27, 2019, Ms. Ma and Ms. Li transferred their respective equity interest in our Company to Cheerwin Global BVI with a consideration of US$35 and US$65 respectively. As a result, our Company became wholly owned by Cheerwin Global BVI.

On June 24, 2020, our Company allotted and issued new shares to Cheerwin Global BVI and Bestart BVI, increasing the issued share capital from US$100 to US$200. For details, please refer to the paragraph headed "– 6. Allotment and issue of Shares of our Company" in this section. As a result, our Company was owned as to 99.0% by Cheerwin Global BVI and as to 1.0% by Bestart BVI, respectively.

On February 19, 2021, in preparation of the Listing, each issued and unissued share of a par value of US$1.00 each was sub-divided into 5,000,000 shares of a par value of US$0.0000002 each. Following the subdivision, the authorized share capital of the Company became US$50,000 divided into 250,000,000,000 shares with a par value of US$0.0000002 each.

3. Acquisition of 5% Equity Interest in Guangzhou Cheerwin by Bestart (Hong Kong) Investments Company Limited ("Bestart HK")

Pursuant to the equity transfer agreement dated May 16, 2019 (the "**Equity Transfer Agreement**"), Bestart HK acquired 3.25% and 1.75% equity interest in Guangzhou Cheerwin from Mr. KX Chen and Mr. KC Chan, at a consideration of RMB0.97 million and RMB0.52 million, respectively. The consideration was determined after arm's length negotiation with reference to the net asset value of Guangzhou Cheerwin as of December 31, 2018 in the total amount of RMB29.99 million as contained in the valuation report issued by an independent valuer and has been fully settled. Upon completion of such transfer, Guangzhou Cheerwin became owned as to 61.75% by Mr. KX Chen, as to 33.25% by Mr. KC Chen, and as to 5.0% by Bestart HK, and was converted into a sino-foreign equity joint venture.

4. Establishment of Onshore Shareholding Structure

Establishment of Shanghai Cheerwin

Shanghai Cheerwin was established by Guangzhou Cheerwin as one of our major operating subsidiaries. See "Our Corporate Development" above.

Transfer of Cheerwin Biotechnology, Leda Automobile, Guangzhou Yuncheng and Guangzhou Tongli to Guangzhou Cheerwin

On November 7, 2019, Mr. KX Chen, Mr. KC Chen and Tianjin Aotelai transferred their respective equity interest in Cheerwin Biotechnology to Guangzhou Cheerwin for a total consideration of RMB7.8 million, which was determined based on the net asset value of Cheerwin Biotechnology as of May 31, 2019 (being RMB7.80 million), the valuation of which was determined by an independent valuer.

On November 27, 2019, Cheerwin Biotechnology transferred the entire equity interest of Leda Automobile, Guangzhou Yuncheng and Guangzhou Tongli to Guangzhou Cheerwin for the consideration of nil, nil and RMB1.83 million, respectively, which were determined based on the net asset value of Leda Automobile, Guangzhou Yuncheng and Guangzhou Tongli as of May 31, 2019 (being RMB(0.19) million, RMB(0.24) million and RMB1.83 million, respectively).

Transfer of Panyu Cheerwin and Anfu Cheerwin to Cheerwin Biotechnology

On December 10, 2019, Guangzhou Liby and Tianjin Aotelai transferred their respective equity interest in Panyu Cheerwin to Cheerwin Biotechnology for a total consideration of RMB18.05 million, which was determined based on the net asset value of Panyu Cheerwin as of May 31, 2019 (being RMB34.70 million), the valuation of which was determined by an independent valuer.

On December 31, 2019, Mr. KX Chen, Mr. KC Chen and Faguo Kangliang transferred their respective equity interest in Anfu Cheerwin to Cheerwin Biotechnology for a total consideration of RMB53.68 million, which was determined based on the net asset value of Anfu Cheerwin as of May 31, 2019 (being RMB53.68 million), the valuation of which was determined by an independent valuer.

5. Transfer of Equity Interest in Guangzhou Cheerwin to our Company

On June 24, 2020, Mr. KX Chen and Mr. KC Chen transferred their respective 61.75% and 33.25% equity interest in Guangzhou Cheerwin to Cheerwin Group HK at a consideration of RMB19.10 million and RMB10.28 million, respectively. The consideration was determined after arm's length negotiation with reference to the net asset value of Guangzhou Cheerwin as of December 31, 2019 (being RMB30.93 million), the valuation of which was conducted based on an asset-based approach by an independent valuer.

On the same day, Bestart HK transferred its 5% equity interest in Guangzhou Cheerwin to Cheerwin Group HK, with a consideration of RMB1.55 million. The consideration was determined after arm's length negotiation with reference to the net asset value of Guangzhou Cheerwin as of December 31, 2019 (being RMB30.93 million) and has been fully settled. Upon completion of the transfer, Guangzhou Cheerwin is a wholly owned subsidiary of our Company and was converted into a wholly foreign owned company.

6. Allotment and issue of Shares of our Company

On June 24, 2020, our Company allotted and issued an aggregate of 100 new shares, each with a par value of US$1.00, increasing the issued share capital from US$100 to US$200. Among them, 98 shares, each with a par value of US$1.00, were issued at par to Cheerwin Global BVI, and 2 shares, each with a par value of US$1.00, were issued to Bestart BVI at a consideration of RMB1.55 million. The consideration was determined after arm's length negotiation with reference to the net asset value of Guangzhou Cheerwin as of December 31, 2019 (being RMB30.93 million) and was fully settled on August 1, 2020. Upon completion of the allotment and issue of the shares, our Company was owned as to 99.0% by Cheerwin Global BVI and as to 1.0% by Bestart BVI, respectively.

PARTIES ACTING IN CONCERT

On August 28, 2020, Mr. KX Chen, Mr. KC Chen, Ms. Li and Ms. Ma have entered into the Concert Parties Arrangement, pursuant to which they have confirmed their agreement to act in concert in relation to exercise of their voting rights at the meetings of the shareholders and the board of directors of the members of our Group.

Notwithstanding that Ms. Li and Ms. Ma did not hold any interest in majority of the Group's subsidiaries, the voting rights in the Company have been, and continue to be under the joint control of Mr. KX Chen and Ms. Li, and Mr. KC Chen and Ms. Ma:

(a) Mr. KX Chen and Ms. Li, and Mr. KC Chen and Ms. Ma are married couples. Their husband and wife relationship gives rise to a very strong degree of closeness. They act as part of a controlling group and demonstrate a mutual trust and bonding as a group in the consensus building process and in their joint control of the Company;

(b) Mr. KX Chen and Ms. Li, and Mr. KC Chen and Ms. Ma, have managed their respective assets and business affairs jointly and act as a single unit;

(c) Mr. KX Chen and Ms. Li, and Mr. KC Chen and Ms. Ma, are "acting in concert" for the purposes of the The Codes on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**"). As husband and wife, Mr. KX Chen and Ms. Li, and Mr. KC Chen and Ms. Ma are treated as "close relatives" under the Takeovers Code and therefore presumed to be parties acting in concert.

Notwithstanding that Ms. Li and Ms. Ma did not hold any interest in majority of the Group's subsidiaries, the Company has been, and continue to be under the joint ownership of Mr. KX Chen and Ms. Li, and Mr. KC Chen and Ms. Ma. Mr. KX Chen and Ms. Li, and Mr. KC Chen and Ms. Ma, have always viewed their assets as jointly owned marital assets, consistent with the PRC Marriage Law, which provides that, unless otherwise agreed in writing, assets which are owned or acquired by one or both parties to a marriage during the period of their marriage shall be deemed to be "marital assets" collectively owned by the married couple.

PRE-IPO INVESTMENT

In anticipation of our Listing, our Controlling Shareholders invited Mr. Mao Mao (茅矛) ("**Mr. Mao**") to make an investment in our Group. As part of Mr. Mao's investment, he agreed to facilitate our Reorganization prior to making an investment in our Company.

On May 16, 2019, pursuant to the Equity Transfer Agreement, Bestart HK, which is wholly owned by Mr. Mao, acquired 3.25% and 1.75% equity interest in Guangzhou Cheerwin from Mr. KX Chen and Mr. KC Chen, at a cash consideration of RMB0.97 million and RMB0.52 million, respectively, which was based on the net asset value of Guangzhou Cheerwin as of December 31, 2018 in the total amount of RMB29.99 million. For details, see "– Reorganization – 3. Acquisition of 5% Equity Interest in Guangzhou Cheerwin by Bestart HK" above.

On June 24, 2020, Mr. Mao invested in our Company when two Shares were allotted and issued to Bestart BVI, a company wholly owned by Mr. Mao, for a consideration of RMB1.55 million. Such consideration was determined after arm's length negotiation. The consideration has been fully settled.

Upon the completion of the pre-IPO investment described above, Guangzhou Cheerwin became indirectly owned as to 1.0% by Mr. Mao.

Further details of the pre-IPO investment are set out below:

Payment date	:	August 1, 2020
Cost per Share[1]	:	HK$0.155

Discount to mid-point of the Offer Price range	:	98.2%
Use of proceeds	:	The proceeds are intended to be utilized towards our general working capital. As of the Latest Practicable Date, none of the proceeds from the pre-IPO investments had been utilized.
Shareholding in the Company immediately after the investment	:	1.0%
Shareholding in the Company immediately after the Global Offering	:	0.75%
Strategic benefits to the Company	:	The pre-IPO investment contributed part of the offshore funding required in connection with the Reorganization.

Note:

(1) The approximate cost per Share is calculated based on the amount of consideration paid by Mr. Mao divided by the number of Shares to be held by him upon Listing (assuming the Over-allotment Option is not exercised).

As Bestart BVI is not a core connected person of the Company, and the Shares held by Bestart BVI will be counted towards the public float after the Listing. With respect to the pre-IPO investment, Mr. Mao has not been granted any special rights in relation to our Company. The Shares held by Mr. Mao, representing approximately 0.75% of our issued share capital immediately following the completion of the Global Offering (without taking into account of any Shares which may be allotted and issued pursuant to the Over-allotment Option), are subject to a lock-up period commencing on February 24, 2021 and ending on, and including the date that is six months from the first day on which the Shares commence trading on the Stock Exchange.

Information about Mr. Mao

Mr. Mao is a private investor who is principally engaged in equity investments for more than 10 years. He is one of the partners of a capital management company responsible for managing fund investment projects. He has been an acquaintance of Ms. Chen Danxia since 2017. He has invested in consumer product industry, such as food and mass-oriented art products, previously. He directly holds 100% equity interest in Bestart BVI, which is a company incorporated in the BVI with limited liability. Following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Mao will be interested in 10,000,000 Shares through Bestart BVI, representing 0.75% of the total number of our Shares in issue. Neither Mr. Mao nor Bestart BVI will be a substantial shareholder of our Company, and other than investment in our Group, Mr. Mao and Bestart BVI are parties independent of our Company and its connected persons, hence the Shares held by Mr. Mao through Bestart BVI will be treated as part of the public float of our Company following Listing for the purpose of Rule 8.08 of the Listing Rules.

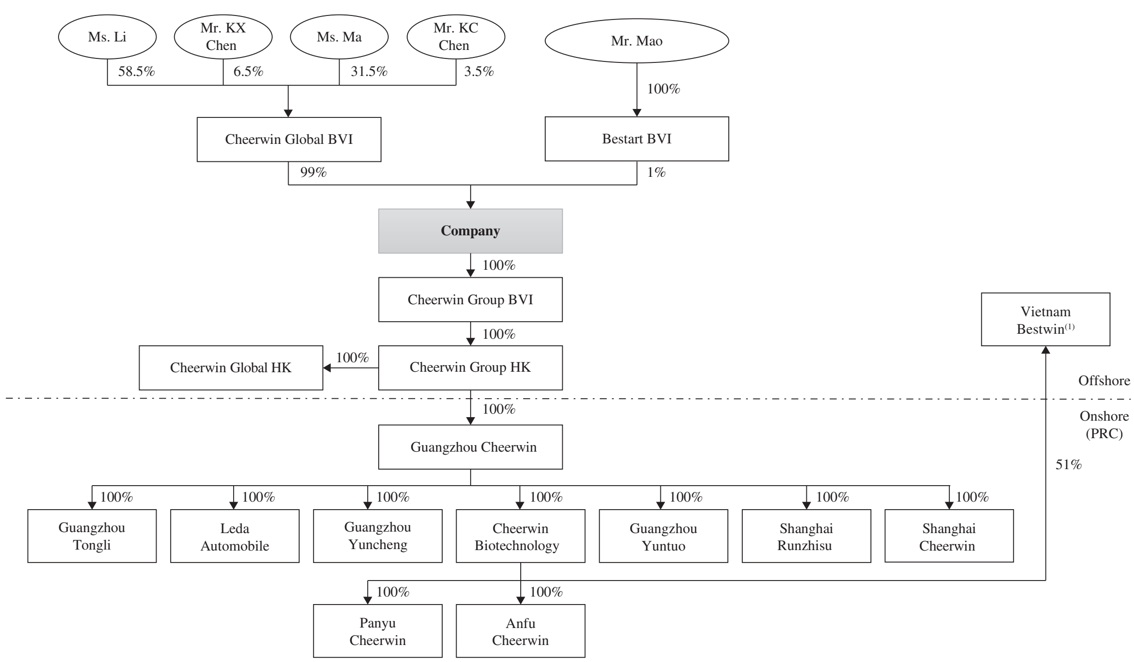
To the best of the knowledge, information and belief of our Directors, Mr. Mao decided to invest in our Group as he was optimistic about the prospect of the household chemical industry and our Company after he had met our management team and understood the operation of our business. Although a significant discount to the Offer Price (being mid-point of the Offer Price range) of approximately 98.2% was offered to Mr. Mao, the Directors consider that the basis of determination of the consideration was fair and reasonable. Our Company, having taken into consideration that (i) the pre-IPO investment would be beneficial to the future business development; (ii) the Listing is conditional and may or may not go forward; (iii) the equity risk assumed by Mr. Mao in investing in an unlisted company; and (iv) the basis of determination of the consideration as disclosed above, believes that despite the significant discount to the Offer Price, it is in our commercial interests to enter into the pre-IPO investment.

Compliance with Interim Guidance

The Joint Sponsors have confirmed that the terms of the Pre-IPO investment as described above are in compliance with (i) the Guidance Letter HKEx-GL-29-12 issued by the Stock Exchange in January 2012 and as updated in March 2017; and (ii) the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

CORPORATE STRUCTURE IMMEDIATELY BEFORE THE GLOBAL OFFERING

Set forth below is our corporate structure upon completion of the Reorganization and immediately before completion of the Global Offering:

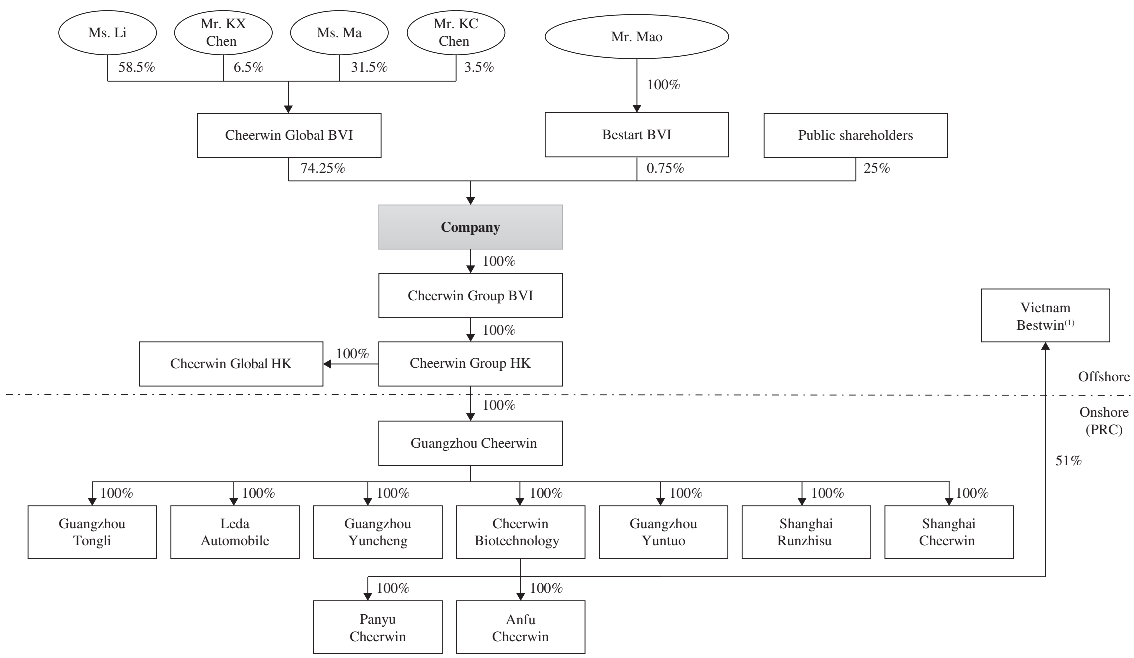


Note:

(1) As of the Latest Practicable Date, Vietnam Bestwin was held as to 49% by Xiamen Yuhao Investment Company Limited (廈門宇好投資有限公司), an independent third party.

CORPORATE STRUCTURE UPON COMPLETION OF THE GLOBAL OFFERING

Set forth below is our corporate structure immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Note:

(1) As of the Latest Practicable Date, Vietnam Bestwin was held as to 49% by Xiamen Yuhao Investment Company Limited (廈門宇好投資有限公司), an independent third party.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisers advised that the transfer of 5% equity interests in Guangzhou Cheerwin to Bestart HK (the "**First Transfer**") is subject to the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (Revised in 2009, the "**M&A Rules**") (關於外國投資者併購境內企業的規定) and Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (Revised in 2018, the "**Circular 6**") (外商投資企業設立及變更備案管理暫行辦法(2018年修訂)), which became invalid from January 1, 2020 due to the implementation of the Circular 2 (as define below), and Guangzhou Cheerwin has obtained the record-filing receipt for the incorporation of foreign-invested enterprise (外商投資企業設立備案回執) and the new business license pursuant to the M&A Rules and Circular 6. After the First Transfer, Guangzhou Cheerwin became a sino-foreign joint venture enterprise. For the transfer of 61.75% equity interests held by Mr. KX Chen, 33.25% equity interests held by Mr. KC Chen and the 5% equity interests held by Bestart HK in Guangzhou Cheerwin to Cheerwin Group HK (the "**Second Transfer**"), our PRC Legal Advisers advised that since Guangzhou Cheerwin has converted into a sino-foreign joint venture enterprise, the Second Transfer is the equity transfer in a foreign-invested enterprise, thus the Measures on Reporting of Foreign Investment Information (外商投資信息報告辦法, the "**Circular 2**") which came into effect since January 1, 2020, shall apply. Guangzhou Cheerwin has submitted the investment information of the Second Transfer to the competent commerce authority and obtained the new business license pursuant to the Circular 2 for such transfer. Our PRC Legal Advisers are of the view that the First Transfer has been completed in accordance with the M&A Rules and Circular 6, the Second Transfer has been completed in accordance with the Circular 2.

As confirmed by our PRC Legal Advisers, we have obtained and completed all necessary approvals and/or registrations in all material aspects from the relevant PRC regulatory authorities in respective of the steps of the Reorganization as to PRC laws in relation to our PRC subsidiary as described above.

Pursuant to the SAFE Circular 37 promulgated by SAFE and which became effective on July 1, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division.

Pursuant to the Circular of SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**SAFE Circular 13**"), promulgated by SAFE and which became effective on June 1, 2015, initial foreign exchange registration under SAFE Circular 37 was delegated from local SAFE to local banks where the assets or interest in the local entity was located.

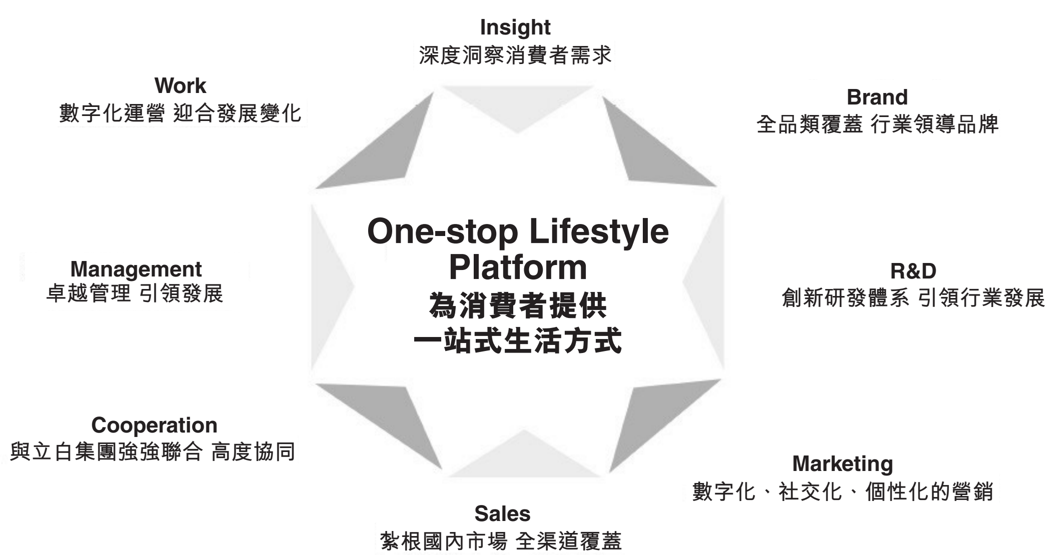
As advised by our PRC Legal Advisers, Mr. KX Chen and Mr. KC Chen completed the registration for holding the equity interests in Cheerwin Global BVI on April 25, 2019, as required by SAFE Circular 37 and SAFE Circular 13.

OVERVIEW

We are a leading one-stop multi-category household care and personal care platform in China, developing and manufacturing a variety of household care, personal care and pet care products. We ranked third among domestic companies in China's household care industry in each of the past five years between 2015 and 2019 and ranked fourth among all companies in China's household care industry, with a market share of 6.3% in 2019, in terms of retail sale value, according to CIC, and have quickly established leading positions in various sub-categories of personal care and pet care. With our commitment to creating a better life for Chinese families, we continue to provide consumers with effective, convenient and safe products through product upgrades.

Our One-stop Lifestyle Platform

We are committed to providing consumers with a one-stop lifestyle offering. Our system is made possible through our focus on the eight pillars to underpin our organizational, operational and business structures and strategies, which we believe have delivered our success to date.



These eight pillars are:

- **Insight** that has a deep understanding of consumer needs.
- **Brand** that achieves market leadership in multiple product categories and segments through a multi-brand strategy.
- **R&D** that aims to combine high-quality in-house and external R&D resources to drive product development.
- **Marketing** that utilizes digitalized and socially native tools to deliver our highly customized marketing strategy.
- **Sales** that achieves deep penetration into China's tier one to tier five cities through an omni-channel sales network.
- **Cooperation** that achieves synergies and efficiencies through a long standing collaborative relationship with Liby Group.
- **Management** that deploys a strong professional management team to lead our growth.
- **Work** that seeks to adopt a highly digitalized operational system to continuously improve operating efficiency.

Our Market Position

Our success to date has been driven by our ability to create new products and expand into new categories that meet consumer needs. We have successfully launched ten categories, covering household care, personal care and pet care product categories, and pioneered the launch of new products into the Chinese market.

According to CIC, we ranked third among domestic companies in China's household care industry in each of the past five years between 2015 and 2019, and fourth among all companies in China's household care industry, with a market share of 6.3% in 2019 in terms of retail sales value.

China's household care industry is currently undergoing structural changes. The COVID-19 pandemic has caused an unprecedented impact on the global economy, and increased consumers' awareness of home and environment hygiene and demand for products that save housework time and safeguard personal health and hygiene. According to CIC, retail sales value of disinfectant products in China grew by approximately 40.0% year on year in the first half of 2020, and the annual compound growth rate is expected to reach 18.4% from 2019 to 2024. In addition, the COVID-19 pandemic has further accelerated the growth of online shopping. In the first half of 2020, the retail sales value of household care products in e-commerce channels increased by about 40% over the same period last year, and the penetration of household care products in e-commerce channels reached approximately 25% in the first half of 2020, and is expected to reach 30% by 2024.

OUR STRENGTHS

1. We are a leading one-stop multi-category household care and personal care platform in China, developing and manufacturing a variety of household care, personal care and pet care products.

We are a leader in China's household care industry and have quickly established a leading position in multiple sub-categories in personal care and pet care segments. According to CIC, from 2015 to 2019, we ranked third among domestic companies in China's household care industry in each of the past five years, and fourth among all companies in China's household care industry, with a market share of 6.3% in 2019 based on retail sales value. During the same time, we have maintained the number one position in China in each of the past five years between 2015 and 2019 in China's household insecticides and repellents market based on retail sales value with a 22.8% market share in 2019. Moreover, we ranked first in the children-friendly insecticides and repellents market, with a market share of 41.4% in 2019 in terms of retail sales. We also ranked second in the household cleaning and air care markets. In the personal care industry, we are among the top three in the Florida Water market. We entered the pet care industry in 2019, and ranked among the top five in the pet deodorant category based on retail sales value in the first half of 2020.

We are China's leading one-stop multi-category household care and personal care platform, developing and manufacturing a variety of household care, personal care and pet care products. We rely on our multi-dimensional consumer insights and discovery of undermet consumer needs to continuously innovate to provide consumers with one-stop solutions for household care and personal care. We cover dozens of differentiated scenarios of household care, personal care and pet care, including home disinfection, insect repellent, household cleaning, air care, personal cleaning and care, pet cleaning and care, pet grooming, among others. In the household care market, we have three main categories, twenty-eight sub categories and four brands. According to CIC, compared with the other top five household care companies in China, we have the largest number of sub-categories. At the same time, we have rapidly expanded categories and brands in personal care and pet care and have established seven major categories, sixteen sub-categories and three brands.

We are a leader of product development and iteration in China's household care, personal care and pet care industry, with a first mover advantage in multiple high-growth segments. We focus our efforts around consumer lifestyle needs, and have the ability to quickly develop new products, cultivate the market, and continue to promote industry upgrades and iterations. The market categories in which we operate are very large, reaching RMB359.8 billion in terms of retail sales value in 2019. The CAGR from 2019 to 2024 is estimated to be 8.8%, reaching RMB547.3 billion by 2024.

During the Track Record Period, we launched 130 new products, contributing 13.0% and 16.5% of our total revenue in 2019 and the nine months ended September 30, 2020, respectively. Our successfully launched new products that promote industry upgrades and iterations include:

- Our spatial anti-bacterial sachet, which releases disinfecting materials sufficiently volatile to vaporize at room temperature, has been well perceived by the market and achieved RMB50 million of retail sales value within two months of its launch. Our spatial anti-bacterial sachet generated revenue of RMB0.4 million and RMB20.1 million in 2019 and the nine months ended September 30, 2020, respectively.

- Our washing machine tank cleaner, which utilizes an advanced oxygen-activated technology, achieved RMB30 million of retail sales value in 2019. Our washing machine tank cleaner generated revenue of RMB10.8 million, RMB16.8 million and RMB19.6 million in 2018, 2019 and the nine months ended September 30, 2020, respectively.

- Our pyrethroid moth proof tablet ranked second among Tmall's moth proof products category in March 2020. Our pyrethroid moth proof tablet generated revenue of RMB1.2 million, RMB2.2 million and RMB2.5 million in 2018, 2019 and the nine months ended September 30, 2020, respectively.

- Our sage-based liquid vaporizer, which utilizes the third generation fluorine-containing pyrethroids to repel mosquitoes, achieved over RMB35 million in retail sales value in the first year of its launch. Our sage-based liquid vaporizer generated revenue of RMB18.9 million and RMB21.0 million in 2019 and the nine months ended September 30, 2020, respectively.

- Our "after-rain mint" liquid vaporizer grew to become the No. 1 liquid vaporizer product available on Tmall within three years of launch. Our "after-rain mint" liquid vaporizer generated revenue of RMB0.3 million, RMB23.2 million and RMB35.0 million in 2018, 2019 and the nine months ended September 30, 2020, respectively.

- Our Naughty Buddy (倔強的尾巴) pet antibacterial and deodorization products ranked among the top three pet deodorants on Tmall after nine months of launch, which generated revenue of RMB4.0 million in the nine months ended September 30, 2020.

In addition, we have a strong track record of cultivating new products, with certain of our products exceeding a retail sales value of RMB100 million soon after their respective launches.

2. With an efficient R&D system and a good track record of product development, we lead the upgrade and iteration of household care industry in China.

We are committed to creating new categories based on consumer needs and improving existing products in order to provide consumers with a "one-stop lifestyle", thereby facilitating every family to achieve a relaxed and happy home life.

Data-driven deep consumer insights support our continuous introduction of new categories. We attach great importance to consumer feedbacks, and, through our deep data-driven insights into consumers, we continuously explore undermet consumer needs, develop targeted new products, tackle the pain points which consumers encounter in life scenarios and design targeted product portfolios to address the characteristics of the different markets and channels. We obtain a large amount of data through online and offline channels. In particular, as of September 30, 2020, our integrated membership system ("全域運營") has more than six million members, among which 80% of the online members are young consumers between the ages of 20 to 40. We have created more than 300 user tags through accurate user portraits, which gives us valuable insights into consumer preferences and consumption behavior. Our data platform centralizes data from different categories and channels to improve data analysis performance. In addition, we have a professional market research team and cooperate with professional research institutions to collect consumer feedbacks to support our product development and commercialization strategy through extensive and in-depth consumer research, such as in-home research and focus groups.

Our product upgrades are derived from our research and development capabilities. We have established a robust core technology platform, which relies on the data-connected middle office to realize cross-category technology sharing. We have four functional laboratories with leading application research capabilities, which can effectively support the research and development of product formulae, packaging materials and production processes for multiple product categories, and stay abreast of the latest technological developments, and enable us to quickly commercialize our products. At the same time, we leverage both in-house and external R&D resources to quickly develop products in response to the changing consumer needs. We have technical cooperation with numerous industry leading corporations, such as Jiangsu Yangnong Chemical Co., Ltd. under Sinochem International, KINCHO (大日本除蟲菊株式會社) and Lion Chemicals Co., Ltd (日本獅子化學株式會社). We also exchange ideas and experience with the research and development department of Liby Group.

We have a strong track record of creating new market segments and cultivating leading brands. We have the ability to continuously launch new products with improved formulae and dosage applications, leading product upgrades and iterations of China's household care industry. For example, according to CIC, the traditional coils, aerosols and baits in the Chinese household insecticides and repellents market still accounted for 55.9% of the market size in 2019, offering significant potential for innovative, safe and convenient new products. In January 2018, we launched mosquito proof net products in China, which vaporize at room temperature and can repel mosquitoes on doors and windows for up to 100 days through its long-lasting sustained release technology. In April 2018, we launched intelligent mosquito repellent/room aromas products that can be remotely controlled through the IoT technology. In March 2019, we launched our peach scented mosquito repellent gel which is mild and non-irritating, children-friendly, and provides long-lasting protection. In addition, we continue to innovate and launch iterative household cleaning and care products to enhance consumer experience, such as our kitchen cleaner with "lotus cleaning" technology, which can effectively reduce dust adhesion while removing scale, realizing two-in-one household cleaning and care efficacy. We launched window mesh cleaning aerosol products in January 2018 in China, which can conveniently remove scale and bacteria from anti-mosquito gauze and air conditioning filters. In January 2018, we launched pyrethroid moth proof tablet products in China. We also launched vaporized spatial sterilization products based on slow-release technology in April 2019 in China.

3. We have multiple well-known brands with an established brand incubation system.

We have successfully built a portfolio of well-known brands. We strategically focus on creating a multi-brand portfolio of products to meet the requirements of different segments.

Cyrin	•	Air care products
Superb	•	Household insecticides and repellents products
Babeking	•	Children-friendly insecticides and repellents products
Vewin	•	Household cleaners and disinfectants products
Rikiso	•	Personal care products
Naughty Buddy (倔強的尾巴)	•	Pet care products
Dux	•	Pet care products

We have established an efficient brand incubation and operational platform. Our data-enabled brand operation middle office provides data sharing and operational support for our different brands, and effectively improves our brand operation efficiency and new brand incubation capabilities. Through precise brand positioning, we made use of our channels and other resources, and selected the optimal time for new brands to enter the market, and successfully built a series of well-known brands. For example, in 2011, through in-depth research on the market and consumer needs, we identified that the household cleaning market has significant potential, with the market lacking innovative domestic brands. As a result, we launched our Vewin brand, which has grown into the second largest brand in China after five years. We recognized the consumption upgrade and the undermet market demand for children-friendly insecticides and repellents and launched our Babeking brand in 2010 for babies and children. In 2016, Babeking ranked first in the children-friendly insecticides and repellents market with a current market share of 41.4%.

We have long-term plans for our brands with a highly customized marketing system. Our long term plans for our brands focus on a highly customized marketing strategy, with digitalization and socially native tools targeting at its core. We customize scenario-based marketing plans to enhance consumer stickiness and brand awareness. For example, Vewin has cooperated with Shanghai Disney for five consecutive years. The theme event of "Vewin Chef Shines at Shanghai Disney" reached 700 million viewers and won the IAI International Advertising Communication Award, covering young families. In the "2020 Asian Brand Footprint Report" released by Kantar Worldpanel, Vewin ranked second in consumer touch index growth for household care brands in 2019. The social platform, Douyin, integrated our Superb Liquid Vaporizer into open debate topics resulting in 510 million views, with 23.33 million likes. Additionally, Babeking captured traffic on mother and baby topics on Weibo, with more than 570 million readings, and successively won the Golden Mouse "Most Innovative Brand in Digital Marketing" award. The portable deodorant spray, a new product under our Cyrin brand, was featured in various forms and scenes on Douyin and Xiaohongshu, rapidly increasing brand awareness, and won the IAI Integrated Marketing Award.

Our community contributions drive brand potential. During the COVID-19 pandemic, we used our strong supply chain capabilities to address the shortage of raw materials and packaging materials in a short time, organized the production of disinfection materials, donated disinfection and epidemic prevention materials and delivered them to more than 2,000 designated hospitals in more than 300 cities. At the same time, we conducted an education campaign on epidemic prevention knowledge for consumers, as well as information campaigns on disinfectants, sterilization kits, hand sanitizers and household cleaning products. We believe that our contributions to the community have enhanced our brand recognition. In particular, the production line of Vewin disinfectant product (威王大紅瓶) was included in the live broadcast project of People's Daily Online and received online "cloud supervision" by millions of netizens. We were designated as a National Key Epidemic Prevention Enterprise certified by the Ministry of Industry and Information Technology. In addition, we focus on environmental protection and sustainable development in our product and packaging designs, and have obtained numerous certifications and recognitions as a result of our efforts. We believe our emphasis on environmental protection and sustainability strengthens our brands and relationships with customers and helps us maintain our value and relevance to the growing number of consumers who associate their purchase decisions with environmental and sustainability concerns.

4. A nationwide, deeply penetrative sales network with comprehensive online and offline coverage.

Our offline sales network covers all provinces, all prefecture-level cities and a majority of country-level cities of the country and penetrates tier one to tier five cities. According to CIC, offline channels are the most important sales channels for China's household care and personal care industries. In 2019, sales by offline channels accounted for 80.8% and 69.7% of the total sales in China's household care and personal care industries. As of September 30, 2020, we had more than 1,200 distributors and have exclusive cooperation rights under the categories we operate. Our offline distributors cover all regions of the country and approximately 620,000 points of sales across China. We are in a leading position in the industry by the number of points of sales covered by our extensive offline sales network. We can quickly distribute our products to all parts of China through our offline sales network and extensive points of sales coverage. Among them, we have 510,000 points of sales in tier three cities and below towns and cities, accounting for 64.3% of the total number of points of sales, enabling us to capture the household care and personal care market in tier three and below cities with a market size of RMB275.1 billion in 2019 and a CAGR of 10.5% in the next five years.

Our online channels have developed rapidly. Since 2018, we have been actively developing our online channels and have expanded from one Tmall store in 2018 to 14 stores in 2020, and from the original Tmall channel in 2018, to more than 20 online channels, including Tmall, JD.com, Pinduoduo and Vipshop. During this period, our online channels achieved rapid growth. In 2017, 2018, 2019 and nine months ended September 30, 2019 and 2020, revenue generated from our online channels were nil, RMB15.4 million, RMB152.6 million, RMB124.0 million and RMB238.6 million, respectively. Our flagship stores on Tmall, JD.com and Pinduoduo are leading the sales in various categories. For example, our Superb brand ranked first in the insecticide and repellent category and the liquid vaporizer category on Tmall's insect repellent category in 2020. We have successfully incubated a number of e-commerce brands. For example, Naughty Buddy (倔強的尾巴) achieved first place among perfume and deodorant products in four months after its launch through our Tmall flagship store. In addition, we also utilize emerging social and content platforms, such as Douyin and Xiaohongshu, to promote our brand and products.

We have established a strict distributor management system, which has promoted the stable, orderly and successful development of our business. We have a professional sales team that provides guidance and services for distributor operations, including business development planning, sales and promotion plan formulation, to ensure that the implementation is in accordance with our strategic and marketing strategies. We have engaged a dedicated market inspection team which regularly checks distributors' operations and inventory. We introduced the management system of the Japanese Retail Association to help distributors manage their businesses effectively and competitively. In addition, we have established a distributor-oriented digital management system to realize distributor order management, end market performance building and promotion program execution.

5. Comprehensive digitalization brings us efficient operation management.

We have a digitalized operation system with a comprehensive coverage of scenarios and business processes. We have achieved digitalization of our business processes, covering consumers, products, orders, production, logistics, marketing, research and development and other business links. Our digitalized operation system includes the following aspects:

Consumer data platform: We collect and comprehensively analyze real-time consumer data across all channels. Our online user data collection system has real-time data interconnection with third-party e-commerce platforms, and our offline user data collection system is realized through our digital system at Key Accounts and points of sales.

Distributor-oriented digital platform: We have established an integrated digital management system for distributors. It consists of an e-commerce platform for distributors (Ligoutai (立購台)), an internal digital operation platform for distributors (Ligouying (立購盈)), and a management platform between distributors and points of sales (Ligouchuang (立購窗)). These three components enable data connection, allowing us to realize accurate and real-time management of distributors' ordering, selling and storage activities. Through Ligoutai (立購台), distributors can order merchandise, learn policies and the latest product trends in real time. Through Ligouying (立購盈), distributors can integrate internal order management, product management, inventory management, distribution management, promotion management, expense management, store management, personnel management and other operations on the platform to improve their internal operation and management. Through Ligouchuang (立購窗), distributors can carry out relevant service work around points of sales. During the COVID-19 pandemic in 2020, through our digital platform for distributors, we successfully held digital online order fairs and addressed the inability to carry out offline trade fairs during the epidemic.

Digital platform for supply chain: Our total 100 suppliers have access to our digital supply chain platform. We use the SRM system to coordinate purchase orders, inventory information, production capacity, molds, among others, to build an efficient supply chain management system and cultivate rapid response capabilities. At the same time, we built a production plan management platform to achieve a planning coordination system of our entire supply chain, and through the ERP system, we digitalize supply and production to ensure the orderly production of our products.

Cloud office platform: Our cloud office platform promotes enterprise management, process, intelligent personnel and business management through mobile applications within the organization and within the ecosystem, to achieve collaboration between organizations and ecosystems. We achieved working on cloud office platform for all of our staff during the COVID-19 pandemic. Our overall operational efficiency has not been affected by the epidemic and we effectively ensured the orderly and efficient operation of various business.

We have built a full-scene data application and decision-making system. Our management makes business decisions based on data analysis generated by our digital operation system. Our digital operation system covers marketing, channels, supply chain, finance, among others, and helps inform management decisions through its independent analysis platform.

6. High-quality products and efficient supply chain system.

We provide safe and reliable products with optimal green and natural ingredients. Green and nature themes run through our product categories. Our disinfection products benefit from in-depth technical research on the dosage, efficacy, and toxicological relationship of each dosage form to achieve precise effect, less wastage and enhanced safety. Our household cleaning products benefit from the analysis of interface effects and dirt and conquest of microbial prevention and control technology to achieve efficient cleaning, with a view to providing green and environment-friendly, effective sterilization, and safety to clean objects and surfaces. Our air cleaning products are produced with polymer slow-release technology, nano-scale micellar slow-release technology, plant deodorization technology, among others. Such technological features in key areas enable our products to achieve stable and long-term sustained release and be green and environmentally friendly. Our safe and reliable products are the result of our years of investment in research and development and production processes and strict control over the selection of raw materials.

We have a strict management system for various aspects of our operations. Our quality control system covers the entire product cycle, including design, production, logistics and distribution. We utilize ISO9001 standard as our quality system. Our internal control standards of products and raw materials have monitoring indicators for sensitive impurities to ensure our quality is more stable. As a result of our emphasis on quality control, we did not receive any negative feedback from the relevant governmental authorities during quality spot checks in 2017-2019. In addition, we have obtained GB/T24001-2016/ISO14001:2015 environmental management system certification, GB/T23331-2012 energy management system certification and ISO 45001:2018 occupational health and safety management system certification in 2020.

We have a vertically integrated and flexible manufacturing system. We conduct unified vertical management for all self-owned and third party production facilities to quickly and efficiently allocate production orders and meet the production needs of multiple categories and multiple brands. In addition, our flexible manufacturing system can quickly adjust production capacity in a short time according to market needs. During the epidemic, we quickly coordinated and completed the launch of multiple new products, and we completed the launch of five exclusive products within 10 days. We have expanded the production of products with high demand in a short period of time. For example, the production of 84 Disinfectants Liquid was expanded by 11.7 times, and the production capacity was increased from 60 tons/day to 700 tons/day. The production of sterilization kits was expanded by 12.5 times, and the production capacity was increased from 400 pieces/day to 5,000 pieces/day.

7. We have a management team with multi-brand operation capabilities, entrepreneurial spirit, acquisition and integration capabilities, and strong shareholder support.

Our management has entrepreneurial spirit and M&A and integration capabilities. Our Chairman and our management team have experience in successful acquisitions and rapid integration in China and abroad. Our Chairman, Ms. Chen Danxia, holds an honorary master's degree in marketing and strategic management from the University of Sydney and acted as the class monitor of the third term of Hupan School of Entrepreneurship. Ms. Chen served as the general manager of Shanghai Cogi from 2008 and the chairman from 2014. Under her leadership, Shanghai Cogi achieved rapid growth, and became a PRC leading skin whitening professional brand.

Our management team members have extensive industry experience across platforms, channels, and multiple fields, covering cosmetics, daily chemicals, mother and baby products, pets and e-commerce. The average experience in the industry is more than 15 years, with experience working with us of an average of more than 10 years. Our management team has successfully incubated leading brands in multiple industries.

We focus on cultivating our talent pool and actively attracting external talents. We have built an empowering organization of joint-development and mutual learning, called "The Cheerwin Academy," to train our talents. The Cheerwin Academy drives our employees and management personnel to actively improve themselves based on the needs of our Company and help our Company to become an organization with a learning spirit. In addition, we actively promote the introduction of external talents.

We have strong support from our controlling shareholder. We have a close cooperative relationship with Liby Group. Liby Group has a long history in the consumer industry, and is best known for its laundry and utensils cleaning products. Under the common ownership of the Chen family, we have entered into various collaborations with Liby Group which are mutually beneficial to Liby Group and us. For further details, please see the section headed "Relationship with Our Controlling Shareholders."

OUR DEVELOPMENT STRATEGIES

1. Organization and talent strategy: to build a talent development system and an empowering organization that attracts external talents.

We plan to build a talent incubation system, and integrate internal and external talent resources. Through the combination of cultivating talents internally and hiring high-quality talents in the industry, we aim to create a team with operation and management experience covering various categories and channels, experience in M&A of domestic and overseas consumer enterprises, as well as entrepreneurial spirits.

We plan to implement employee incentive plans. In order to recruit more talents with entrepreneurial spirits, we plan to implement a variety of incentive measures, including stocks, option incentive plans and competitive compensation plans.

We emphasize personal career development and professional skills improvement of employees. We will continue to provide employees with sufficient work support and a good learning environment. Through our Cheerwin Academy, we will further establish and improve our talent empowerment curriculum system and operational management mechanism to constantly supply talents and provide strong support to our development and business objectives in different stages.

2. Brand strategy: to continue to implement our highly customized strategy, and expand our product offering to build an one-stop multi-category platform.

Upgrade existing leading categories and products. In the categories where we have leading industry positions, such as disinfection, household cleaning and personal care products, we will upgrade the formulae, design and packaging of our products to meet the needs of different consumptions scenarios, different sales channels and different consumer groups. We will continue to launch more premium as well as good-value-for money products to strengthen our current leading positions and market shares.

Adopt a multi-brand strategy within the same category. To further strengthen our existing market positions, we intend to launch a series of new brands with different market positioning to meet the targeted needs of various consumer segments. To that end, we intend to launch premium brands in response to consumption upgrades for better lifestyles. We also intend to launch good-value-for-money brands to penetrate into low tier cities.

Continue to expand product categories and achieve sustainable growth. We intend to continue to optimize our product portfolio and product mix based on latest market trends. We intend to expand our personal care product portfolio and grow it to a similar scale of our household care segment. We also intend to continue to grow our pet care segment by adding new products, such as pet food and pet health products, to capture growth opportunities in this segment. We also intend to expand into new categories, providing consumers with a one-stop lifestyle solution.

Persist in product and technology upgrades. We will continue to develop new products with upgraded technologies through our own research and development, introduction and acquisition of external brands and technologies. We intend to seek upgrades and developments in various aspects, including product formulae, functions, designs and packaging to satisfy different consumer demands. We also intend to strengthen our collaboration with our existing R&D partners to continue to promote industry upgrades.

Implement ESG and sustainable development strategies. As a company with a strong sense of social responsibility, we will continue to implement ESG concepts in product development and launch more healthy, green and environmentally friendly products. We will promote the application of natural and plant ingredients in various categories, such as disinfection and personal care products, increase use of green materials (such as materials on Safechoice list), improve packaging efficiency, optimize production processes, and increase the usage of recycled paper and recycled plastic to reduce carbon emissions.

3. Channel strategy: to further strengthen our omni-channel strategy, focusing on online channels and other new channels

Strengthen the leading position of offline channels. We will constantly improve distributor management and service standard through operation improvement. We will deepen cooperation with distributors by helping them improve operating performance. We will continue to implement the "Millions of Distribution Project", which is to increase the number of points of sales from 620,000 to over one million by helping our distributors increase regional penetration, market coverage and visibility.

Rapidly develop online channels. Since 2018, we have accelerated deployment of online channels and achieved explosive growth during the COVID-19 epidemic. Online channels are the main driving force for us to achieve rapid growth and further increase profit margins in the future. It is also the main way to incubate new brands and reshape the vitality of existing brands. We will adopt an online omni-channel distribution penetration strategy, and strengthen our penetration on mainstream e-commerce platforms, vertical e-commerce platforms, fresh food e-commerce platforms, social platforms, new media platforms, online communities, bank Apps and other online channels.

Focus on development of our consumer community and proprietary platforms. We are accelerating the development of our consumer community and proprietary platforms by combining our existing advantages of deep offline penetration and rapid online growth. With the help of avenues such as WeChat groups, mini programs, and official accounts, we have imported traffic from more than 1,200 distributors, approximately 620,000 retail outlets and various e-commerce platforms to our consumer community and proprietary platforms to achieve a closed circle of customer acquisition, retention, activation, monetization and self-dissemination, which will increase consumers' brand stickiness and repurchase rate and increase the penetration rate of brands and products to reach more consumers. Our goal is to create a one-stop proprietary platform that can not only empower our distributors and marketers, but also open up new development paths for us.

Strengthen overseas channels and corporate and institutional customer sales. We will continue to strengthen sales to corporate and institutional customers, including entering the point-redemption section of large enterprises, entering pharmacies and gas station supermarkets, and establishing strategic relationships with well-known brands across industries. We will continue to strengthen sales in overseas markets, with a focus on Southeast Asia.

4. Marketing strategy: to implement a customized marketing strategy.

Continue to implement our customized marketing and promotion strategy. Based on our categories, brand matrix and the life cycle of different brands and products, we will design marketing strategies according to characteristics of different consumer groups, regions and distribution channels to improve marketing efficiency.

Continue to strengthen the establishment of image stores, to build a network of over one million distribution stores, and conduct community marketing. Image store is a window for brand image display. We will occupy display positions in quality terminal outlets and carry out promotional projects on categories such as disinfection and household cleaning in image stores regularly.

Promote online marketing. We will effectively use social media and collaborate with brand/celebrity/IP/KOL and other emerging forms to promote our online marketing.

5. Supply chain strategy: to improve supply chain efficiency and flexibility and deploy overseas supply chains

Implement a balanced delivery strategy. We analyzed the market practice of stocking in advance for peak seasons in the household insecticides and repellents industry and launched a balanced delivery model in 2020 to achieve on-demand production, improvement of production efficiency, cost cut and enhancement of capital turnover.

Improve capacity utilization of our factories and production efficiency. We will acquire more production qualifications for our existing production facilities, produce multiple categories and products in the same production facilities, increase capacity utilization, and increase supply chain flexibility. We will select suitable production facilities according to the characteristics, cost and production scale of the product to improve production efficiency, reduce production costs, and avoid idle production capacity.

Deploy overseas supply chains. We intend to take advantage of the lower raw material prices overseas to improve our supply chain, and develop the Southeast Asian market while reducing production costs, and expand overseas production capacity to supplement our domestic production capacity.

6. Digitalization Strategy: to improve organizational and operational efficiency through digitalization

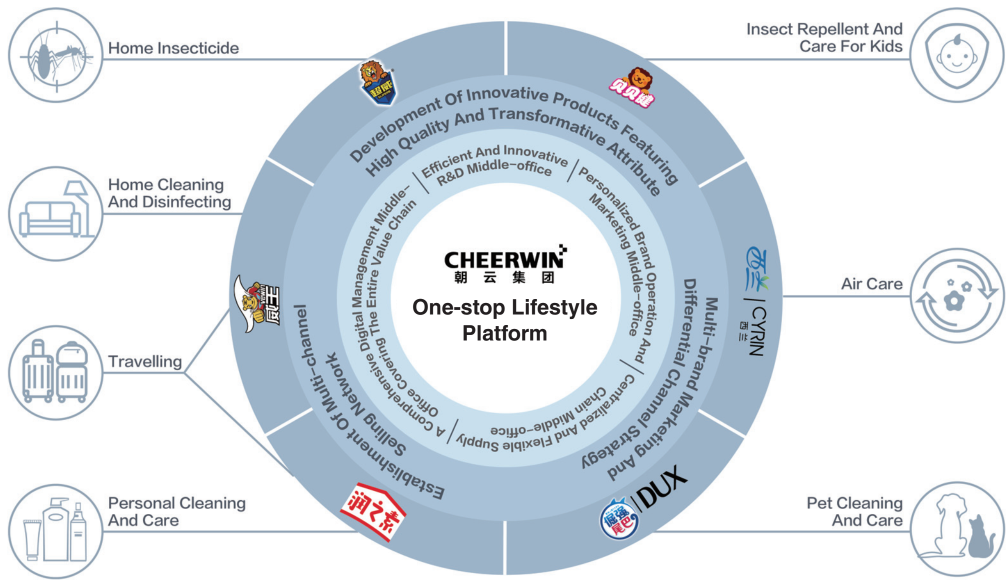
Promote Internet middle-office strategy. Drawing on the experience of leading Internet technology, we will establish a middle-office between the front-office for business development and the back-office for providing system support, and modulize the technologies, data, and business capabilities commonly used in different business scenarios to the middle-office to improve the efficiency of our existing business and reduce the development cycle of new business for the purpose of coping with the further development of our business scale and complexity of our business.

Digitalize consumer management. Taking consumer privacy protection into account, we will connect different data collection systems of various channels, establish a single identity for each consumer in our database, and integrate the consumption data of various channels and brands to build a more comprehensive consumer profile. By integrating and analyzing our consumer data, we can (1) understand consumer preferences in a timely manner to improve and develop new products, (2) recommend products to our consumers more accurately, and improve advertising efficiency, and (3) convert consumers among different brands.

Digitalize channel management. We will further promote the application of our self-developed ordering system, distributor and store management system, and salesperson patrol system, so as to achieve comprehensive and real-time order management, inventory management and channel monitoring, and improve the operating efficiency of various channels.

OUR BUSINESS MODEL

We are a leading one-stop multi-category household care and personal care platform in China, developing and manufacturing a variety of household care, personal care and pet care products. We operate a fully integrated business process, supported by our eight pillars in delivering a one-stop lifestyle offering, from consumer and market research, research and development, procurement and production, to sales and marketing.



We research and develop, manufacture and sell multi-category products, which can be broadly categorized into household care segment, personal care segment and pet care segment. Our household care segment, being the backbone of our business, consists of three categories, namely, household insecticides and repellents products, household cleaning products and air care products. The table below sets forth a breakdown our revenue by segment each expressed as an absolute amount and as percentage of our total revenue, during the Track Record Period:

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000 (unaudited)*	*(%)*	*RMB'000*	*(%)*
Household Care										
Household Insecticides and Repellents	920,380	68.4	936,376	69.4	875,948	63.3	862,612	69.0	948,083	64.9
Household Cleaning	330,170	24.5	330,846	24.5	362,200	26.2	273,576	21.9	354,957	24.3
Air Care	77,353	5.7	63,501	4.7	62,096	4.5	49,111	3.9	46,124	3.2
Sub-total	**1,327,903**	**98.6**	**1,330,723**	**98.6**	**1,300,244**	**94.0**	**1,185,299**	**94.8**	**1,349,164**	**92.4**
Personal Care	–	–	–	–	71,495	5.2	54,851	4.4	92,810	6.3
Pet Care	35	–	87	–	1,743	0.1	254	–	9,940	0.7
Others(1)	18,276	1.4	19,263	1.4	9,920	0.7	9,642	0.8	9,461	0.6
Total revenue	**1,346,214**	**100.0**	**1,350,073**	**100.0**	**1,383,402**	**100.0**	**1,250,046**	**100.0**	**1,461,375**	**100.0**

Note:

(1) Include household supplies, appliances and other products.

Our products are offered under our seven core brand names, including Vewin (威王), Superb (超威), Babeking (貝貝健), Cyrin (西蘭), Rikiso (潤之素), Naughty Buddy (倔強的尾巴) and Dux (德是), each targeting different aspects of consumer demands and specific consumer segments. The table below sets forth the development of our core brands and their respective product offering.

Brand	Year of Launch	Positioning	Major Products
西兰	1995	air care expert, providing consumers with one-stop air care solutions	air care products, such as Cyrin Aerosol Air Freshener Series, Cyrin Formaldehyde Purifier Series, Cyrin Deodorant Aroma Beads and others
超威	2002	leading brand of household insecticides and repellents products, providing consumers with a healthy and safe mosquito and insect repellent solutions	household insecticides and repellents products, such as Superb Mosquito Coil, Superb Liquid Vaporizer, Superb Vaporizing Mat, Superb Mosquito Net and others
贝贝健	2010	safe plant-based formula; healthy sterilization effect; first choice by baby mother	household insecticides and repellents products, such as Babeking Liquid Vaporizer and Babeking Vaporizing Mat, Babeking Mosquito Nets, Babeking Mosquito Repellent Gel and others
威王 vewin	2011	cleaning with antibacterial effects; a comprehensive household antibacterial cleaning expert	household cleaning and sterilization products, such as Vewin Kitchen Cleaner Series, Vewin Toilet Cleaning Series, Vewin Washing Machine Tank Cleaner Series and others
润之素	2019	providing mass market consumers with careful attendance for the whole family in a simple and natural manner	personal care products, such as Rikiso Hand Cream, Rikiso Facial Cream, Rikiso Hand Sanitizer and others
倔强尾巴	2019	providing comprehensive cleaning and care solutions for pet raising families; positioning the mid-range consumer market of mass pet care product	pet care products, such as Naughty Buddy (倔強的尾巴) Pet Antibacterial Spray, Naughty Buddy (倔強的尾巴) Deodorant Antibacterial Tooth Gel, Naughty Buddy (倔強的尾巴) Hybrid-type Cat Litter and others
DUX	2020	providing different consumer experiences for pet raising families; positioning the consumer market of high-end mass pet care product	pet care products, such as Dux Ocean Series Dog Shampoo, Dux Pet Cleaning Deodorant Shampoo, Dux Ocean Series Cat Shampoo and others

Core Competencies

We believe the success of our business has been and will continue to be driven by our core competencies:

- **Market-leading products.** Our efficient research and development capabilities enable us to continuously introduce diversified products under our core brands across various product categories, many of which were first-of-its-kind in China and key functional enhancements of traditional products, which enabled us to quickly achieve market leading positions.

- **Multi-brand and multi-product category strategy.** Our seven core brands, namely, Vewin (威王), Superb (超威), Babeking (貝貝健), Cyrin (西蘭), Rikiso (潤之素), Naughty Buddy (倔強的尾巴) and Dux (德是), support our ability to develop a flexible product portfolio in response to consumer needs. These core brands cover a wide range of product categories under our household care, personal care and pet care segments. According to CIC, we have the largest number of sub-categories among the top five household care companies in China.

- **Omni-channel sales network.** Our omni-channel sales network, covering offline and online channels, provide us with a highly penetrative coverage of consumers.

Operational Infrastructure

We have an operational structure that delivers success on our core competencies. Our operational structure comprises:

- **A highly efficient R&D system.** R&D is at the core of our DNA. We seek to differentiate ourselves from traditional consumer companies through our relentless focus on developing new products, as consumers increasingly demand products that are functional, safe and incorporate up-to-date technologies and applications. Our in-house R&D laboratories are equipped with top-grade analysis and testing equipment that supports our R&D's teams efforts in product formulation and packaging developments. We have established research collaborations with a number of leading institutions.

- **A vertical, integrated and flexible supply chain.** Our long history of cooperation with our reliable, accommodating and highly flexible supply chain, which includes globally leading suppliers and conduct vertical management of production factories owned by us and third parties. The suppliers can be accessible to improved raw materials and cutting edge technologies that feed in to our research and development and production, allows us to easily adjust production and expand to new and different product categories with different brands, meet the production demand for multiple categories and multiple brands achieve synergies and stay ahead of changing industries and consumer demands, thereby increasing efficiency and profitability.

- **A digitalized management system.** We endeavor to achieve a high-level of digitalized management to seamlessly connect all aspects of our business operation from market and customer research, research and development, procurement and production, sales and marketing, consumer education and after sales services.

PRODUCT DEVELOPMENT PLATFORM

We are committed to serving the needs of modern families for effective and diversified products in their daily household care, personal care and pet care routine through continuous research and development, and product upgrade and iteration. To achieve this goal, our product development platform is built on the solid foundation of our research and development capabilities. The expertise of our four functional laboratories, combined with the R&D resources provided by our in-house R&D team and our collaboration with external institutions, helps us absorb the latest technological know-how and resources in the industry value chain and greatly advance in product development, to provide rapid responses to changes in consumer demand for product development, and create high-quality products with competitive barriers. Our research and development team focuses on product development, shortening our production and development cycle, reducing costs and securing product quality, enhancing product efficiency and expanding product functionality. Leveraging this highly efficient research and development platform, we have a proven track record of venturing into various product categories by introducing diversified new products, including revolutionary products and upgraded products with enhanced functionality, which claimed market-leading positions in a short period of time.

As a result of our extensive research and development capabilities enabled by our product development platform, we are one of the pioneers in developing and launching new products in China. We believe that we are able to provide products that are highly responsive to consumers' demands and the latest trends in consumers' daily household care, personal care and pet care routines. The table below sets forth a list of key new products or upgrades to existing products that we have introduced to market in recent years.

Product (Year of launch)	Achievement
Household Insecticides and Repellents	
Superb Mosquito Proof Net (超威防蚊網) (2018) Babeking Mosquito Proof Net (貝貝健防蚊網) (2020)	• Improved form of mosquito repellent that vaporizes at room temperature without igniting or electricity, and can last for 30 or 100 days.
Babeking Mosquito Repellent Gel (貝貝健驅蚊啫喱) (2019)	• One of the first gel type mosquito repellent products adding icaridin with a non-stimulating, mild formula which provides safe and eight-hour protection to children.
Superb Tornado Proof Mat (超威小旋風驅蚊片) (2014)	• Pioneered in launching this portable, room temperature centrifugal volatile mosquito repellent products into the mainland market, providing constant protection against mosquitoes.
Household Cleaning	
Vewin Antibacterial Sachet (威王除菌包) (2020)	• One of the first spatial disinfecting products that releases disinfecting materials sufficiently volatile to vaporize at room temperature. This product has been well perceived by the market during the COVID-19 outbreak and achieved RMB50 million of retail sales value within two months of its launch.

Product (Year of launch)	Achievement
Vewin Orange Kitchen Cleaner (威王橙寶廚房清潔劑) (2020)	• The latest upgraded kitchen cleaner utilizes complex dissolvant technology that effectively removes stubborn scale with oils extracted from oranges and compound APG (EPA Safe Choice materials) extracted from corns and soybeans that are safe, non-toxic, biodegradable and environmentally friendly.
Washing Machine Tank Cleaner (洗衣機槽清潔劑) (2013)	• Pioneered in utilizing the active oxygen technology and led the rapid development of washing machine tank cleaners.
Vewin Kitchen Cleaner (威王廚房清潔劑) (2012)	• This product utilizes our "lotus cleaning" ("荷花潔淨") technology to effectively reduce dirt adhesion after cleaning.
Air Care	
Cyrin Deodorant Aroma Beads (西蘭去味香珠) (2019)	• Pioneered in launching aroma bead products with formaldehyde removal and deodorizing functions.
Cyrin Moth Proof Tablets (西蘭防蛀片) (2018)	• Pioneered in launching anti-moth products that contain pyrethroid ("擬除蟲菊酯") which improves safety and persistent effectiveness.
Cyrin Reed Diffuser (西蘭藤蔓香薰) (2017)	• Pioneered in expanding into the high-end flameless reed diffuser products for bedrooms in mainland offline channels.
Personal Care	
Rikiso Waterless Hand Sanitizer (潤之素免洗消毒凝露) (2020)	• Waterless hand sanitizers launched on the market in China and can meet the needs of antibacterial products of consumers during the COVID-19 outbreak.
Rikiso Florida Water Series (潤之素花露水系列) (2018)	• Effectively sterilizes and improves skin condition based on a silver-ion formula.

Product (Year of launch)	Achievement
Pet Care	
Naughty Buddy Pet Antibacterial Spray (倔強的尾巴寵物除菌噴霧) (2019)	• This product utilizes a new anti-bacterial formula which emphasizes safety and sterilization efficiency.
Naughty Buddy Hybrid-type Cat Litter (倔強的尾巴混合貓砂) (2019)	• Added antibacterial and deodorizing particles into hybrid-type cat litter to improve antibacterial and deodorizing performance.
Dux Ocean Series Puppy Waterless Shampoo (德是海洋系列幼犬免洗香波) (2020)	• One of the first pet shampoos that uses deep-sea materials aimed at balancing oils, moisturizing and hydrating, while solving pet odor and hair problems at the root.

As a testament to our success and dedication to product development, many of our new products and product updates have been commercially successful and well received by the market. The following table sets forth certain of our products that achieved retail sales value exceeding RMB100 million in 2019.

Products/Product Series	Product Development and Achievements
Superb Liquid Vaporizer (Wormwood Fragrance) (超威電熱蚊香液(清香)	Stable vaporization with continuous mosquito repelling effect and low VOC release.
Babeking Scentless Liquid Vaporizer (貝貝健無香電熱蚊香液)	One of the first mosquito liquid vaporizer with a scentless formula developed for children.
Vewin Toilet Cleaner (威王潔厠劑)	One of the first toilet cleaning liquid with a 99.9% bacterial eliminating rate within 30 seconds; Practically non-toxic.
Superb Powerful Toilet Cleaner (超威強效潔厠淨)	Created RMB150 million of retail sales value with one SKU and achieved a leading market position in China.
Vewin Cooker Hood Heavy-duty Cleaner (威王油煙機重油污淨)	A practically non-toxic cooker hood cleaner with hydrophobic and quick-dry technology and effectively removes scale.

OUR PRODUCTS

Household care products

Household Insecticides and Repellents

We are the largest manufacturer of household insecticides and repellents in terms of retail sales value in China, with a 22.8% market share in 2019, according to CIC. We offer a broad line of household insecticides and repellents products for various application scenarios and in a wide array of forms, including coils, mats, liquids, aerosols, gels, nets and others. Our household insecticides and repellents products are primarily sold under our brands "Superb" and "Babeking."

Drawing upon our success and experience in the general household insecticides and repellents market through the "Superb" brand, we successfully expanded into the children-friendly insecticides and repellents market and launched our "Babeking" products in 2010 to cater to the rising demands for insecticides that are safe for children. According to CIC, we are the largest children-friendly insecticides and repellents product manufacturer in terms of retail sales value in China, with a 41.4% market share in 2019. The successful launch of Babeking products demonstrates our ability to develop new brands and new categories, and helps us strive to launch more segmented products that meet the preferences of a wider range of consumers. In 2017, 2018, 2019 and the nine months ended September 30, 2020, we offered 76 SKUs, 83 SKUs, 100 SKUs, and 117 SKUs, respectively, in household insecticides and repellents product category.

The table below sets forth certain details of our key household insecticides and repellents products:

Key Products	Product Unit Size	Recommended Retail Price Range	Sample Product Picture
		(RMB)	
Superb Mosquito Coil (超威盤香)	10 to 50 coils	3.2~14	
Superb Vaporizing Mat (超威電熱蚊香片)	12 to 78 mats	10.5~36	

Key Products	Product Unit Size	Recommended Retail Price Range	Sample Product Picture
		(RMB)	
Superb Liquid Vaporizer (超威電熱蚊香液)	30 to 40ml	24.5~50.9	
Superb Mosquito Proof Net (超威防蚊網)	1 piece	78	
Superb Insecticide Aerosol (超威殺蟲氣霧劑)	300 to 600ml	11~24.8	
Babeking Mosquito Coil (貝貝健盤香)	10 to 36 coils	5.2~17.2	
Babeking Vaporizing Mats (貝貝健電熱蚊香片)	60 mats	23~33	
Babeking Liquid Vaporizer (貝貝健電熱蚊香液)	30 to 40ml	24.2~40.0	
Babeking Mosquito Net (貝貝健防蚊網)	1 piece	39	
Babeking Mosquito Repellent Gel (貝貝健驅蚊啫喱)	50g	36.9	

Continuous Product Development and Promotion of Industry Upgrades

We develop and offer a wide array of mosquito insecticides, aimed at different target markets, and with a variety of characteristics desired by particular types of users, such as longevity, vaporization characteristics, fragrance and other characteristics. With a strong dedication to product quality, we have been continuously seeking developments in mosquito insecticides and continue to promote industry upgrades. We have developed and launched over the years a number of new mosquito insecticide products that provide the necessary spatial and temporal release of insect repelling ingredients with superior insect control and environmental safety.

From ignition to heat

Traditional mosquito insecticide products, such as mosquito coils, deliver insect repelling ingredients through heat when coils are ignited. However, the ignition of coils poses a fire hazard and the smoke released from ignition has also become undesired in modern families. In response to the changing consumer preferences, we, through extensive research and experiments, launched a plug-in electric mosquito repellent vaporizer in 2007, which releases the repellent materials through heat produced by electricity instead of ignition.

From heat to room-temperature vaporization

Instead of releasing active mosquito repelling ingredients through heat, we have launched "Superb Mosquito Proof Net" (超威防蚊網) and "Babeking Mosquito Proof Net" (貝貝健防蚊網), two innovative forms of mosquito repellents that vaporize at room temperature without ignition or electricity, and can offer protection for a period from 30 or 100 days.

IoT application

Leveraging the latest technologies of Internet of Things (IoT), we have rolled out an IoT-enabled electric vaporizer, which can be connected to household Wi-Fi network and controlled remotely by smart phones.

Household Cleaning

Leveraging our in-depth market research and product development capabilities, we entered the household cleaning market with our Vewin brand in 2011 to capitalize on favorable market trends and have been a market leader. According to CIC, we are the second largest manufacturer of household cleaning products in terms of retail sales value in China, with a 4.2% market share in 2019. We offer a wide array of household cleaning products addressing various consumer needs, including disinfectants, kitchen cleaners, toilet cleaners, washing machine tank cleaners, multi-surface cleaners and pipe cleaners, under our Vewin brand, and certain toilet cleaning products under our Superb brand. A number of our products have been awarded the national-level environmental certifications.

We have distinguished ourselves from other market-leaders by continuously launching new and upgraded products addressing consumer pain points. For example, most of our Vewin household cleaning products provide a value-added antibacterial functionality with a 99.9% bacterial eliminating rate. Our marketing tagline of "Not just clean but also disinfect" ("除垢更除菌") also successfully conveys this value proposition to our consumers. Utilizing active oxygen technology, we launched washing machine tank cleaners while simultaneously educating consumers on the importance of disinfect cleaning washing machines. In 2017, we launched Vewin window mesh cleaner which focuses on consumer convenience. This product solves one of the consumers' biggest pain points of removing and cleaning window meshes. We also pioneered the launch of practically non-toxic and plant-based household cleaning products, such as Vewin plant-based kitchen cleaners. Our Vewin kitchen cleaners utilize our "lotus cleaning" technology to effectively reduce dust adhesion after cleaning. We have also made further efficient upgrades to our kitchen cleaners and launched Vewin Orange Kitchen Cleaner (威王橙寶廚房清潔劑) with powerful cleaning capabilities by using complex dissolvant technology. Meanwhile, the product contains oils extracted from oranges and compound APG extracted from corns and soybeans that are safe, non-toxic, biodegradable and environmentally friendly. In addition, we capitalized on our expertise in antibacterial technologies, and launched Vewin antibacterial sachet, a portable and convenient product which prohibits the growth of pathogenic microorganism for up to 45 days within a one-meter radius from the product utilizing our proprietary solid chlorine dioxide slow-release technology. During the COVID-19 outbreak, our Vewin antibacterial sachet was designated a Netease Yanxuan Epidemic Prevention Special Supply (網易嚴選防疫特供物資) and received approximately 150,000 reservation orders when it was first launched on Netease Yanxuan, one of China's leading private-label e-commerce platform. We also developed an antibacterial effervescent tablet which is non-toxic, convenient, portable and with 99.9% bacterial elimination. In 2017, 2018, 2019 and the nine months ended September 30, 2020, we offered 60 SKUs, 72 SKUs, 92 SKUs, and 101 SKUs, respectively, in household cleaning product category.

The table below sets forth certain details of our key household cleaning products:

Key Products	Product Unit Size	Recommended Retail Price Range	Sample Product Picture
		(RMB)	
Vewin Kitchen Cleaner (威王廚房清潔劑)	500g/ 500g x 2	17.8~31	
Vewin Toilet Cleaning Series (威王潔廁淨)	500g/ 500g x 2	6.8~19.9	

Key Products	Product Unit Size	Recommended Retail Price Range	Sample Product Picture
		(RMB)	
Vewin Washing Machine Tank Cleaner (威王洗衣機槽清潔劑)	375g	16	
Vewin Pipe Cleaner (威王管道通)	300g/600g	15~18.8	
Vewin Disinfectant (威王消毒液)	98ml/500ml/ 1.25L/2.25L	6.9~72.5	
Vewin Antibacterial Sachet (威王除菌包)	1 piece/box	89.9	
Vewin Antibacterial Effervescent Tablet (威王除菌泡騰片)	24 pieces	29.9	
Superb Toilet Cleaner (超威潔廁劑)	500g/500g/900g	4.5~13.8	

Air Care

We are the second largest manufacturer of air care products in terms of retail sales value, with a 4.9% market share in 2019, according to CIC. We offer a diverse range of air care products, including gel air fresheners, aerosol air fresheners and liquid air fresheners, as well as specialized air care products such as formaldehyde purifier sprays and bamboo charcoals.

Cyrin brand entered the air care market in 1995 and has since then provided customers professional solutions to household air troubles and were one of the pioneers in launching air care products in China. Since then, we have continued to innovate and improved our air care products offerings by introducing new scents, new forms and new functionalities to cater to differentiated consumption needs and consumption levels and sought to establish a trendy product image targeting young customers in China's mass market. In 1995, liquid and gel air fresheners which add continuous fragrance to indoor environments was launched under Cyrin brand. Leveraging our deep understanding of consumer pain points, we launched Cyrin bamboo charcoal, a natural and effective product which not only masks odor but also absorbs odor and harmful chemicals such as formaldehyde. In 2017, we launched reed diffusers with crossover collaboration with Disney to make our consumers home smell good and look good. We also launched Cyrin Deodorant Spray in a 50ml bottle which focuses on consumer convenience. Benefitting from our marketing capabilities and cooperation with KOLs, this product quickly became popular. In 2017, 2018, 2019 and the nine months ended September 30, 2020, we offered 49 SKUs, 40 SKUs, 48 SKUs, and 62 SKUs, respectively, in air care product category.

The table below sets forth certain details of our key air care products:

Key Products	Product Unit Size	Recommended Retail Price Range	Sample Product Picture
		(RMB)	
Cyrin Aerosol Air Freshener (西蘭空氣清新噴劑)	320ml	13.9	
Cyrin Liquid Air Freshener Series (西蘭液體空氣清新劑系列)	400g	16~20	
Cyrin Gel Air Freshener Series (西蘭固體空氣清新劑系列)	65~70g	5~8	

Key Products	Product Unit Size	Recommended Retail Price Range *(RMB)*	Sample Product Picture
Cyrin Formaldehyde Purifier Series (西蘭除甲醛系列)	400~500g	59~119	
Cyrin Deodorant Aroma Beads (西蘭去味香珠)	300~330g	19.7~24.9	
Cyrin Bamboo Charcoal Blocks (西蘭竹清風除味炭)	60~500g	10~36	
Cyrin Moth Proof Tablets (西蘭防蛀片)	2 tablets	38	
Cyrin Reed Diffuser (西蘭藤蔓香薰)	90ml	69	
Cyrin Deodorant Spray (西蘭除味噴霧)	30-280g	25.9~49.9	

Personal Care

We entered China's personal care market in 2019 with our Rikiso brand. We aim to provide consumers natural, healthy and safe personal care products through Rikiso. We currently offer a wide range of personal care products, including, among others, skin care, hair and body care, hand sanitizer, and Florida Water products.

According to CIC, the hand sanitizer market size is expected to increase from RMB2.6 billion in 2019 to RMB7.8 billion in 2024, with a CAGR of 24.6%, as shifting consumer preference towards more convenient hygiene and cleaning products as well as the recent COVID-19 pandemic have driven the market for hand sanitizers. The outbreak of COVID-19 has also reinforced the significance of regular hand sanitizing and cleaning among consumers and is a prominent factor driving the market. Our strong production capacity and distribution network has enabled us to capture the enormous growth potential in the hand sanitizer market with our Rikiso hand sanitizer and Rikiso waterless hand sanitizer. In 2017, 2018, 2019 and the nine months ended September 30, 2020, we offered nil, nil, 55 SKUs, and 58 SKUs, respectively, in personal care product category.

The table below sets forth certain details of our key personal care products:

Key Products	Product Unit Size	Unit Retail Price Range	Sample Product Picture
		(RMB)	
Rikiso Hand Cream (潤之素護手霜)	40-75g	5.0~9.9	
Rikiso Soap (潤之素香皂)	100g	4.2	
Rikiso Facial Cream (潤之素SOD蜜)	20ml-100ml	2.0~19.9	
Rikiso Hand Sanitizer (潤之素洗手液)	250g-500g	12.9~22.9	
Rikiso Waterless Hand Sanitizer (潤之素免洗消毒凝露)	60ml	24.9	

Key Products	Product Unit Size	Unit Retail Price Range	Sample Product Picture
		(RMB)	
Rikiso Shampoo (潤之素洗髮露)	800ml	29.9~35.9	
Rikiso Body Wash (潤之素沐浴露)	800ml	29.9~35.9	
Rikiso Florida Water Series (潤之素花露水系列)	30ml-195ml	9.9~20.1	

Pet Care Products

The rapid increase in the number of pets in Chinese households has resulted in a surge in the demand for pet care products. Leveraging our industry expertise and technological know-how accumulated in the household care and personal care businesses, we have successfully tapped into the pet care business to capture further growth opportunities. We currently offer 18 types of pet care products under two brands, namely Naughty Buddy (倔強的尾巴) and Dux (targeting the consumer group with more professional and high-end needs), and are committed to offering an ever-improving product portfolio to meet the growing and evolving demands of our potential customers under this category, expand our product portfolio and strengthen our market position. In 2017, 2018, 2019 and the nine months ended September 30, 2020, we offered one SKU, four SKUs, 22 SKUs, and 38 SKUs, respectively, in pet care product category.

The table below sets forth certain details of our key pet care products:

Key Products	Product Unit Size	Unit Retail Price Range	Sample Product Picture
		(RMB)	
Naughty Buddy Pet Antibacterial Deodorant Spray (倔強的尾巴寵物除菌除味噴霧)	500ml	39.9	
Naughty Buddy Deodorant Antibacterial Tooth Gel (倔強的尾巴寵物除臭抑菌潔牙凝膠)	100g	79.9	
Naughty Buddy Hybrid-type Cat Litter (倔強的尾巴混合貓砂)	2.8kg	37.9	
Naughty Buddy Pet Compound Salt Deodorant and Antibacterial Agent (倔強的尾巴復合鹽除臭除菌劑)	10 bags	79.9	
Dux Ocean Series Dog Shampoo (德是海洋系列犬用香波)	400ml	58.0	
Dux Ocean Series Cat Shampoo (德是海洋系列貓用香波)	300ml	58.0	

Key Products	Product Unit Size	Unit Retail Price Range	Sample Product Picture
		(RMB)	
Dux Ocean Series Cat & Dog Conditioner (德是海洋系列貓犬通用護毛素)	300ml	58.0	
Dux Ocean Series Dog Perfume (德是海洋系列犬用香水)	120ml	39.0	
Dux Ocean Series Puppy Waterless Shampoo (德是海洋系列幼犬免洗香波)	300ml	58.0	

OMNI-CHANNEL SALES NETWORK

Overview

We have a robust omni-channel sales and distribution network with high penetration in both offline and online channels.

Our omni-channel sales and distribution network comprises the following:

- Offline distributors: this comprises sales to offline distributors with deep penetration through tier one to tier five cities that resell our products to local hypermarkets, supermarkets, convenience stores, local grocery stores, gas stations, and other small vendors.

- Sales to key account clients: this comprises our sales to offline key account clients, including national and regional hypermarkets, national and regional supermarkets, department stores and national and regional chain convenience store operators, through Liby Group.

- Online channels:

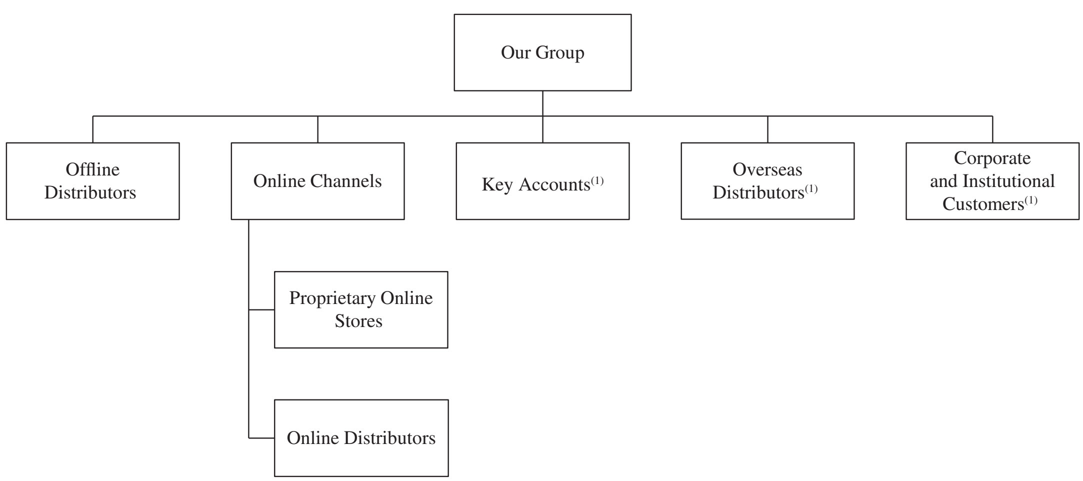
  (i) Direct sales to consumers through self-operated online stores: this comprises our sales to consumers through our self-operated online stores on various major e-commerce platforms, such as Tmall, JD.com and Pinduoduo.

  (ii) Sales to online distributors: this comprises our sales to third party online distributors which further on sell our products to consumers through their online stores on various major e-commerce platforms including Tmall, JD.com, Pingduoduo, Vipshop, Netease Yanxuan and Suning, and certain other third party online stores.

- Export to overseas markets: this comprises sales to overseas distributors in 22 countries or regions.

- Corporate and institutional customers: corporate and institutional customers, which primarily include hotels, airlines, pharmacies and other corporations, which primarily purchase our products for their own business operations, internal use, employees or for providing services to their respective customers.

The following diagram illustrates the structure of our sales and distribution network:



Note: We have access to key accounts and certain corporate and institutional customers and overseas distributors through Liby Group. As at December 31, 2017, 2018, 2019 and September 30, 2020, the total number of key accounts were 41, 42, 43 and 48, respectively. Liby Group will continue to sell our products to overseas distributors and corporate and institutional customers going forward.

The table below sets forth the breakdown of revenue by our sales channels, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated.

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(unaudited)*	*(%)*	*RMB'000*	*(%)*
Offline Distributors	1,104,787	82.1	1,023,046	75.8	938,024	67.9	869,376	69.6	917,616	62.8
Online Channels	–	–	15,357	1.1	152,646	11.0	124,023	9.9	238,586	16.3
– Online Distributors	–	–	15,357	1.1	69,525	5.0	52,604	4.2	96,852	6.6
– Self-operated Online Stores	–	–	–	–	83,121	6.0	71,419	5.7	141,734	9.7
Corporate and Institutional Customers	–	–	1,079	0.1	4,096	0.3	4,037	0.3	2,616	0.2
Overseas Distributors	–	–	–	–	2,002	0.1	1,015	0.1	357	–
Liby Channel	241,427	17.9	310,591	23.0	286,634	20.7	251,595	20.1	302,200	20.7
Total Revenue	**1,346,214**	**100.0**	**1,350,073**	**100.0**	**1,383,402**	**100.0**	**1,250,046**	**100.0**	**1,461,375**	**100.0**

The following table sets forth a breakdown of our gross profit and gross profit margin by sales channels for the periods indicated.

	For the year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(unaudited)*	*(%)*	*RMB'000*	*(%)*
Offline Distributors	418,470	37.9	393,780	38.5	416,702	44.4	384,272	44.2	380,049	41.4
Online Channels	–	–	7,136	46.5	75,990	49.8	59,986	48.4	121,265	50.8
– Online Distributors	–	–	7,136	46.5	33,302	47.9	24,418	46.4	46,150	47.7
– Self-operated Online Stores	–	–	–	–	42,688	51.4	35,568	49.8	75,115	53.0
Corporate and Institutional Customers	–	–	686	63.6	1,886	46.0	1,859	46.0	1,546	59.1
Overseas Distributors	–	–	–	–	1,246	62.2	647	63.7	194	54.3
Liby Channel	65,399	27.1	100,523	32.4	104,036	36.3	90,550	36.0	123,476	40.9
Total	**483,869**	**35.9**	**502,125**	**37.2**	**599,860**	**43.4**	**537,314**	**43.0**	**626,530**	**42.9**

The higher gross profit margin for sales to other traditional retailers through independent distributors as compared with sales to key accounts through Liby channel during the Track Record Period was due to the following reasons:

- *Purchase quantity*: A higher volume incentive discount/rebate to Liby Group as they have a larger purchase quantity compared to other independent distributors;

- *Differences in sales arrangement and respective expense structure between channels*: The higher discount/rebate rate for products sold to Liby Group during the Track Record Period was to reflect the higher sales channel related costs borne by Liby Group for dealing with key accounts, such as wages and salary expenses of key accounts sales team and other expenses specific to key accounts, such as display fee, logistics and distribution fee, promotion fee, information fee/and or annual maintenance fee, etc., whereas lower discount/rebate rate for products sold to other independent distributors as they did not bear any sales channel related costs in relation to their sales to traditional retailers; and

- *Bargaining power*: As confirmed by CIC, due to the stronger bargaining power of key accounts, it is not uncommon that the margin squeeze from key accounts is absorbed by the entire supply chain including distributors that conduct sales directly with the key accounts and manufacturers that supply products indirectly to the key accounts. As a result, the margin of products sold to the key accounts directly by Liby Group as distributors and indirectly by us through Liby Group as manufacturer is both narrower compared to margin of products sold to other traditional retailers.

However, due to our deeper understanding of consumer preferences and the favorable changes of product mix sold to Liby Group, our gross profit margin derived from Liby Group increased during the Track Record Period. During the Track Record Period, we have developed and launched new products with improved formulae and dosage applications that could generate higher profit margin. As the key accounts which we sold to through Liby Group were usually located in tier one and tier two cities with higher purchase power, we have sold increasingly higher proportion of new products with higher profit margin to Liby Group over the Track Record Period. As a result, our sales to key accounts through Liby Group had growing contribution from higher profit margin products and the gross profit margin gap between sales to independent distributors and sales to key accounts through Liby Group has narrowed during the Track Record Period.

Offline Distributors

Consistent with market practice in our industry, we primarily sell our products through our vast network of offline distributors. According to our sales policy for distributors, our offline distributors undertake not to sell any products in the same category of our products. According to CIC, offline channels are the most important distribution channels for household care and personal care products in China. In 2019, offline channels accounted for approximately 80.8% and 69.7% of the market share household care and personal care market in China in terms of retail sales value. Our established distribution network is one of our competitive strengths and valuable assets. As of September 30, 2020, we had more than 1,200 distributors with a sales network of approximately 620,000 points of sales with deep penetration through first-to fifth-tier cities covering all provinces, all prefecture-level cities and a large majority of county-level cities, which allows us to increase our market share and launch new products to the market in a relatively short timeframe. Among these offline distributors, approximately 75% were individual distributors as of September 30, 2020. In 2017, 2018, 2019 and the nine months ended September 30, 2020, we generated RMB752.8 million, RMB710.4 million, RMB643.0 million and RMB615.2 million from individual distributors, respectively, and we generated RMB351.9 million, RMB312.6 million, RMB295.1 million and RMB302.4 million from corporate distributors, respectively. We engage local individual distributors rather than brand-name or nationwide distributors because we believe that such distribution model allows our products to reach a broader and more diverse local customers as local individual distributors are more familiar with the spending habit and pattern of consumers as well as performance of different points of sales located in the area and these local individual distributors could leverage on their local resources and knowledge. During the Track Record Period, our individual distributors on average had approximately 500 to 550 points of sales and corporate distributors on average had approximately 600 to 650 points of sales. Most of our offline distributors have a two to four year business relationship with us. Our offline distributors typically have at least five years of experiences in distributing similar products. During the Track Record Period, sales from our top ten offline distributors accounted for 6.2%, 5.2%, 4.9% and 4.4% of our revenue, respectively. Among these points of sales, approximately 510,000 are located in tier three cities or below, towns or counties, which, according to CIC, covered a market of approximately RMB275.1 billion in 2019 and is expected to grow at a CAGR of 10.5% from 2019 to 2024 in terms of retail sales value.

We consider a number of factors in selecting distributors, including, among others, their financial resources, past operating experience and capacity, warehousing capacity, as well as their distribution capacity and store coverage.

During the Track Record Period, we have maintained good business relationships with our offline distributors while we also terminated our relations with some of our distributors due to subpar performances, violation of our policies and adjustment to some distribution regions. The table below sets forth the changes in the number of our offline distributors for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,
	2017	2018	2019	2020
As of the beginning of the period	1,046	1,132	1,189	1,208
Addition of new offline distributors	185	267	220	91
Termination of offline distributors	99	210	201	82
Net increase in offline distributors	86	57	19	9
As of period end	**1,132**	**1,189**	**1,208**	**1,217**

Key terms with our offline distributors

We generally enter into annual distribution agreements with our offline distributors. Such agreement specifies a variety of terms, including the payment method, pricing policies and delivery arrangements. We generally do not extend credit period to our offline distributors. We have been digitalizing our sales process and encourage the use of our online system where all offline distributors can directly place purchase orders and settle payments online. Set out below are the key terms of the distribution agreements we typically enter into with our offline distributors:

- Terms: One year;
- Payment terms: Offline distributors are required to make full payment before the shipment arranged by us;
- Transfer of risk: We bear the risks before the products are delivered to the agreed location when ownership of the products transfer to the offline distributors;
- Minimum purchase requirements: We do not set a minimum purchase amount for our offline distributors;

- Designated Sales Areas: Offline distributors are granted the exclusive distributorship in their designated area. Offline distributors are not allowed to sell or resell our products outside of their designated distribution areas. Non-compliance may result in penalties, and in severe cases, cancellation of year end rebates/discounts or termination of the distribution agreement;

- Sales target and Incentive scheme: We set annual sales targets for our offline distributors. Failure to meet annual sales target might result in the adjustment of product categories or designated sales areas, or, in certain cases, the termination of distribution agreements. Offline distributors are incentivized to achieve or exceed sales targets. The specific incentive is determined by us. If the total purchase amount in a period exceeds a mutually agreed amount, we may provide them with a sales rebate/discount, ranging from 5% to 18% of the total purchase amount as stipulated in the distribution agreement. During the Track Record Period, an aggregate amount of RMB163.4 million, RMB180.4 million, RMB170.6 million, and RMB224.3 million has been granted to our offline distributors in sales rebates/discounts. The sales rebate/discount was directly deducted from our revenue during the Track Record Period;

- Return or Exchange of Products: Generally we do not allow product return from offline distributors, except under certain circumstances, such as when products are defective, and do not meet the relevant national and industry standards;

- Pricing policy: We provide recommended retail price range to our offline distributors and retain the right to adjust such recommended retail price range based on market conditions. In practice, our distributors at times offer promotional discounts/rebates to end consumers and sell below our recommended retail prices.

- Termination: We may terminate the agreement if the conditions agreed by offline distributors are not met and offline distributors may terminate the agreement if we fail to deliver the products. Distribution agreements are also terminable by mutual agreement of both parties.

We generally do not allow our offline distributors to engage sub-distributors. If we become aware of any such non-compliance, we will request such offline distributors to terminate such sub-distributing arrangement. If such non-compliance or misconduct is not timely rectified, we may terminate the business relationship with the relevant offline distributor. During the Track Record Period, we are aware of certain offline distributors engaging sub-distributors in violation of our policies. We have requested such offline distributors to terminate such arrangement. Such offline distributors have complied with our requests. Based on the inquiries with the distributors, and to our best knowledge, we did not have any sub-distributor as of the Latest Practicable Date.

Our offline distributor management policy manual contains an exclusivity requirement that prevents distributors from entering into transactions with or selling products of our competitors. While not a term of the distributor agreement, all offline distributors are required to abide by the distributor management policy manual. We have also formed a dedicated market inspection team to conduct regular and random inspections of our offline distributors to ensure compliance with our rules. According to CIC, such exclusivity requirement is not uncommon in the fast-moving consumer products industry.

Key Accounts

As of September 30, 2020, we had access to 48 key accounts, primarily including leading national and regional hypermarkets, supermarkets, department stores and convenience store operators through our Sales Framework Agreement with Liby Group, covering approximately 11,000 points-of-sales. Under our Sales Framework Agreement, Liby Group undertakes to market and sell our products under its agreements with key accounts. We believe such key account relationships would contribute to our business growth, strengthen our market position and enhance our brand image. To the best of our knowledge, our other offline distributors did not sell our products and did not have access to the key accounts procured through Liby Group during the Track Record Period. These key accounts prefer to deal with suppliers with a nationwide coverage generally. Due to business considerations, we collaborate with local distributors who have expertise in local distribution but do not possess logistics capability and manpower resources to service key accounts with nationwide or multi-region operation.

According to our Sales Framework Agreement with Liby Group, Liby Group submits purchase orders to us from time to time with specification as to type and quantity of products. For our sales to Liby Group, we price our sales to Liby Group based on a discount taking into account (i) the direct and indirect cost incurred by Liby Group dealing with key accounts and other customers, and (ii) with reference to margins charged by independent third party distributors that mainly deal with key accounts. We believe such a pricing policy allows Liby Group to retain a commercially acceptable profit margin and fosters a mutually beneficial and long term working relationship with Liby Group. We offer no special discount to Liby Group by virtue of the fact that Liby Group is our connected person. We adopt a same pricing policy for Liby Group and our other distributors as we determine the discount/rebate rate on top of uniform selling price to Liby Group and other distributors with reference to their purchase quantity, products, sales performance and sales channel related costs borne by Liby Group and other distributors, etc. Please also refer to the sections headed "Relationship with Our Controlling Shareholders" and "Connected Transactions" for more details of the Sales Framework Agreement with Liby Group.

The sale of our products to Liby Group accounted for approximately 17.9%, 23.0%, 20.7%, 20.1% and 20.7% of our total revenue for the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, respectively.

We actively embrace the evolution of the retail model due to changes in consumer behavior, and rapidly expand our home-delivery business. We have set up a dedicated marketing team to promote our products on a number of home-delivery business platforms, which provide consumers with on-demand and last-mile delivery services of grocery and household products from local hypermarkets, supermarkets and stores, and facilitate their businesses with our key accounts and offline distributors. Through these home-delivery platforms, consumers can reach our products in the inventory of our key accounts and offline distributors through the internet and have the products delivered to their doorstep. Our products are available on five major home-delivery platforms and 16 other platforms established by retailers.

Online Channels

To capture opportunities presented by the rapidly growing e-commerce in China and fulfill consumer demand for more convenient shopping, we have established online channels to supplement our offline distribution network. According to CIC, the retail sales value of household chemicals from e-commerce channels grew from RMB68.3 billion in 2015 to RMB165.1 billion in 2019, representing a CAGR of 24.7%, and is projected to reach RMB340.5 billion by 2024, representing a CAGR of 15.6%. We believe our penetration through online channels not only appeals to consumers who are increasingly tech-savvy and have a strong preference for convenient shopping experience, but will also contribute to our sales growth and have synergies with our other offline distribution channels.

We started to operate self-operated online stores on major e-commerce platforms, such as Tmall, JD.com and Pinduoduo, since 2019. As advised by our PRC Legal Advisers, according to the Administrative Measures on Internet-based Information Services (《互聯網信息服務管理辦法》, the "**Information Services Measures**") and the Administrative Measures on Telecommunications Business Permits (《電信業務經營許可管理辦法》, the "**Telecommunication Business Permits Measures**" and together with the Information Services Measures, the "**Administrative Measures**"), value-added telecommunications licenses may be required for commercial internet-based information services, which include the provision of information services for compensations, creation of web pages for online users and other services through the internet. Our self-operated online stores only constitute sales of products to consumers, rather than commercial internet-based information services. Furthermore, based on our consultation with both the Ministry of Industry and Information Technology of the PRC and the Guangdong Communication Administration, being the competent authorities of the Company, through their respective consultation telephone number published on their website, our sales to consumers through our self-operated online stores on the major third party e-commerce platforms do not constitute commercial internet-based information services within the scope of the Administrative Measures. Therefore, our PRC Legal Advisers are of the view that, when we sell products through our self-operated online stores on the major third party e-commerce platforms, we do not need to obtain value-added telecommunications licenses. As such, our operation of online stores is not subject to foreign ownership restriction as stipulated in the Negative List and we do not need to adopt the VIE structure for such operation on the major e-commerce platforms.

To capture the fast growing potential opportunities on social media platforms, we also started selling our products through Weixin and promoting our products on social content platforms in the same year. During the Track Record Period, we also sold our products directly to online distributors who further on-sell our products through their online stores on various major e-commerce platforms such as Tmall, JD.com, Vipshop, Pingduoduo, Netease Yanxuan and Suning, and certain other third party online stores. By contracting with these third party online distributors, we are able to quickly expand coverage over e-commerce channels including some emerging e-commerce channels such as Yunji (雲集), Beidian (貝店), Suning Xiaodian (蘇寧小店) and Hema Fresh (盒馬鮮生). Most of our online distributors have a one to two year business relationship with us. Our online distributors typically have at least one year of experiences in distributing similar products. During the Track Record Period, sales from our top ten online distributors accounted for nil, 1.1%, 4.9% and 5.5% of our revenue, respectively. For the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, revenue generated from our self-operated online stores and online distributors amounted to RMB15.4 million, RMB152.6 million, RMB124.0 million and RMB238.6 million, respectively, accounting for 1.1%, 11.0%, 9.9% and 16.3%, respectively, of our total revenue in such periods. The table below sets forth the breakdown of revenue by our self-operated online stores and online distributors, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated.

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000 (unaudited)*	*(%)*	*RMB'000*	*(%)*
Online Distributors	–	–	15,357	1.1	69,525	5.0	52,604	4.2	96,852	6.6
Self-operated Online Stores	–	–	–	–	83,121	6.0	71,419	5.7	141,734	9.7
Total	**–**	**–**	**15,357**	**1.1**	**152,646**	**11.0**	**124,023**	**9.9**	**238,586**	**16.3**

The table below sets forth the changes in the number of our online distributors for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,
	2017	2018	2019	2020
As of the beginning of the period	–	0	10	26
Addition of new online distributors	–	10	18	17
Termination of online distributors	–	0	2	4
Net increase in online distributors	–	10	16	13
As of period end	**–**	**10**	**26**	**39**

As of September 30, 2020, we operated 14 self-operated online stores, including various flagship stores, such as our Superb Household Daily Supplies flagship store, Vewin flagship store, Babeking flagship store, Rikiso flagship store, Cyrin flagship store, Naughty Buddy (倔強的尾巴) flagship store and Dux flagship store. The table below sets forth selective information of our self-operated online stores.

Self-operated Online Store	Time of Establishment	Positioning/Achievements
Superb Household Daily Supplies Flagship Store (超威家居日用旗艦店)	December 2014*	• The Cheerwin Mosquito 101 (超威蚊學説) marketing program in 2020 attracted approximately 400,000 visitors; • Launched a new mosquito repellent product with a minty scent which ranked first place on Tmall in terms of searches, transaction amount and brand among all liquid vaporizers category during March to June 2020.

Self-operated Online Store	Time of Establishment	Positioning/Achievements
Babeking Flagship Store (貝貝健旗艦店)	February 2019	• Leading in children-friendly insecticides and repellent products; • Its mite repellent aerosol ranked fifth among deratization/insecticide category on Tmall in February 2020;
Cyrin Flagship Store (西蘭旗艦店)	September 2019	• Ranked first place consecutively for December 2019 and January 2020 among moth proof product category;
Vewin Flagship Store (威王旗艦店)	March 2020	• Ranked among Top 10 among pipe cleaner brands on Tmall in May 2020 within 2 months since store opening.
Superb Household Daily Supplies Enterprise Store (超威家居日用企業店)	May 2020	• Ranked first in terms of product category, brand ranking and single SKU sales among Florida Water products on Tmall in May 2020.
Naughty Buddy Flagship Store (倔強的尾巴旗艦店)	September 2019	• Approximately 330,000 bottles of Naughty Buddy (倔強的尾巴) Pet Antibacterial Deodorant Spray were sold within ten months since the store opened;
Rikiso Flagship Store (潤之素旗艦店)	May 2020	• Featuring cost-effective personal care products and continue to penetrate the market of people with potential online consumption potential. On July 15, 2020, Rikiso successfully entered a top 100 emerging brand incubation program called "Searching for the Shining Star" under the Tmall cosmetic and personal care category.

* Established and previously managed by Liby Group. Sales through such store was previously recorded under sales through Liby Group. We started to operate Superb Household Daily Supplies Flagship Store since 2019.

During the Track Record Period, a portion of our products were also sold to online distributors by Liby Group. Based on the information provided by Liby Group, and to the Company's best knowledge, approximately 4.4%, 13.0%, 0.2% and nil of our products sold to Liby Group were further onsold to its online distributors during the Track Record Period. In light of the significant growth of our own online channels, including our self-operated online stores, since April 2019 Liby Group no longer sells any of our products online as we have decided to independently manage our online channels to better implement our overall online business strategies. We select our own group of online distributors. They are not the same as those deployed by Liby Group prior to April 2019.

We generally enter into annual distribution agreements with our online distributors. Such agreement specifies a variety of terms, including the payment method, pricing policies and delivery arrangements. We have been digitalizing our sales process and encourage the use of our online system where all online distributors can directly place purchase orders and settle payments online. Set out below are the key terms of the distribution agreements we typically enter into with our online distributors:

- Terms: One year;

- Payment terms: Distributors are required to make full payment before the shipment arranged by us;

- Marketing: We provide marketing expense to certain online distributors for marketing and promoting our brands and products based on a percentage of their settlement price with us;

- Minimum purchase requirements: We do not set a minimum purchase amount for our online distributors;

- Prohibition of cross region sales: Online distributors are not allowed to sell or resell our products outside of their designated distribution areas; violations may lead to penalties, cancellation of support of marketing or promotional expenses, and in severe cases, termination of the distribution agreement. We have a dedicated team of staff to actively monitor online distributors' sales on various e-commerce platforms for distribution beyond designated distribution areas. Currently, the distribution areas of some of our online distributors overlap on certain major e-commerce platforms, such as Taobao and JD.com. We believe such overlapping has not resulted in any material cannibalization risk because we are still at an early stage of growing our online distribution channels and had a limited online presence with 39 online distributors as of September 30, 2020. Also, we asked distributors operating on the same e-commerce platform to sell the same products in different sizes and combo packs. As we gradually build up our online network, we may re-designate the online distribution areas in the future if needed.

- Sales target and incentive scheme: Online distributors are incentivized to achieve or exceed sales targets. The specific incentive is determined by us. We set monthly and annual sales targets for our online distributors. If the total purchase amount in a period exceeds a mutually agreed amount, we may provide them with a sales rebate/discount, ranging from 5% to 18% of the total purchase amount as stipulated in the distribution agreement. During the Track Record Period, an aggregate amount of nil, RMB2.6 million, RMB8.8 million, and RMB12.1 million has been granted to our online distributors in sales rebates/discounts;

- Exchange of products: Within a certain period of time after we deliver the products to the designated location, we provide products exchange for the online distributor if there is any packaging damage;

- Access to information: Online distributors should provide various information of our products on their platforms, including product sales data, purchase data, inventory data and promotion data. In practice, such information is typically provided on a monthly basis;

- Pricing policy: We provide recommended retail price range to our online distributors and retain the right to adjust such recommended retail price range based on market conditions;

- Termination: We may terminate the agreement if the conditions agreed by online distributors are not met or if data in relation to our products on the online distributors' platform are not provided.

We generally do not allow our online distributors to engage sub-distributors. If we become aware of any such non-compliance, we will request such distributors to terminate such sub-distributing arrangement. If such non-compliance or misconduct is not timely rectified, we may terminate the business relationship with the relevant online distributor. During the Track Record Period, we are not aware of any online distributor engaging sub-distributors in violation of our policies. Based on the inquiries with the distributors, and to our best knowledge, we did not have any sub-distributor as of the Latest Practicable Date.

Export to Overseas Markets

We believe there is significant growth potential for us in the overseas market and plan to further explore and deepen our operations in selected overseas countries and regions which have strategical importance. As of September 30, 2020, our products were sold in 24 counties and regions, including, among others, the Philippines, Hong Kong and Macau. Under our Sales Framework Agreement with Liby Group, Liby Group sells a small portion of our products to its overseas distributors. We believe that our sales to overseas markets through Liby Group have helped us raise our brand profile among consumers around the world without incurring too much selling and distribution expenses. Beginning in November 2018, we started to directly engage overseas distributors. The principal terms of the distribution agreements with these direct overseas distributors are similar to those with our distributors in China. We will also continuously assess potential overseas acquisition or collaboration opportunities that could further help us branch into new product categories, enhance our manufacturing know-how, strengthen our product development capabilities and expand our distribution network. We intend to prudently grow our overseas distributor network in anticipation of a gradual recovery of the global supply chain from the COVID-19 pandemic. We intend to further strengthen and optimize our current overseas distribution network in the first half of 2021 and, starting from the second half of 2021, we intend to further penetrate Southeast Asian markets and prioritize engaging additional distributors in Vietnam in tandem with the development of our new Vietnam plant. Depending upon the production ramp-up of our new Vietnam plant, we intend to gradually develop distributor networks in South Africa, East Africa and certain Latin American markets.

Corporate and Institutional Customers

During the Track Record Period, our products were also sold to corporate and institutional customers, including hotels, airlines, pharmacies and other corporations, which primarily purchase our products for their own business operations, internal use, employees or for providing services to their respective customers. As of September 30, 2020, we had access to a total of 229 corporate and institutional customers. As of the Latest Practicable Date, we did not experience any material sales returns or exchanges from our corporate and institutional customers.

Management of Our Sales and Distribution Network

Our extensive sales and distribution network is managed by our sales team. We provide guidance and services in relation the operation of our distributors from time to time, such as business development planning and sales and promotion plan formulation, in order to ensure that our distributors understand and adhere to our sales-related strategies and policies, and to facilitate them to achieve their annual sales target. To minimize the risk of cannibalization, we have adopted the following measures regarding our sales and distribution network:

- we provide recommended retail sales price range to offline and online distributors with an aim to ensure consistency across different channels. Liby Group also abides by and requires its counter parties, including key accounts, to abide by our recommended retail sales prices.

- when selecting our offline distributors, we take into account their respective geographic coverage in order to avoid potential competition among our distributors within a region. We have established a comprehensive management system to keep track of potential competition among distributors and avoid cannibalism. We assign unique identification codes for each and every product together ensures that our products are distributed within the agreed geographical regions. Upon discovery of any incidents of predatory pricing, we generally request the relevant distributor to cease such activities and indemnify our Company according to our distribution agreement.

- Particularly, for our sales through online distributors and our sales to consumers through our self-operated online stores, we have implemented a number of internal control measures to prevent cannibalization. Such measures include offering the same products in different sizes and combo packs, staggering promotional events by online distributors and those on our self-operated online stores, and designing different marketing themes for promotional events by our online distributors and promotional events on our self-operated online stores.

- Drawing on the successful experience in the Japanese retail industry, we have introduced a trade association management system (商會管理制度) to our offline business. We help our distributors elect a chairman and formulate rules of this trade association. Distributors independently manage this trade association and collectively establish a stable and unified pricing system regarding our products. Under this trade association, distributors are encouraged to monitor each other to avoid cross region sells. We believe this trade association helps implement and protect our pricing strategies and competitiveness, which further ensures good market order and stable sales growth of our products offline.

We closely monitor the performance of our offline distributors through our three digital platforms established for distributors, namely, Ligoutai (立購台), Ligouying (立購盈) and Ligouchuang (立購窗). Through these digital platforms, our distributors place orders with us, manage their inventories, and track distribution, promotion and sales of products. We track and analyze the data our offline distributors inputted through these platforms and actively monitor their performance. For example, we require our offline distributors to report their sales statistics on Ligouying (立購盈) on a monthly basis, and we will assess inventory levels of our offline distributors based on their recent purchase orders and sales statistics. In addition, we sent sales staff to our offline distributors' offices/warehouses to perform on-site stock-taking once a year. When we notice that our distributors' sales volumes drop significantly or there are significant amount of unsold inventories, we may make inquiries and adopt necessary measures towards those distributors such as suspending the supply of relevant products. As a result of the above monitoring measures, based on the various data we actively track, we believe substantially all products we sold to our offline distributors had been subsequently sold to end consumers during the Track Record Period. As of December 31, 2020, the amounts of unsold inventory held by our offline distributors were on average at a healthy level in line with industry practices, according to CIC. Our own in house market monitoring team as well as an external and professional market monitoring team which we engaged conducts regular inspections of our offline distributors and points of sales to monitor their sales, pricing, execution of our sales and promotion activities as well as predatory pricing on a monthly basis. Through these activities, we monitor our offline distributors' compliance with the terms and conditions of their distribution agreements. If we discover non-compliant issues, we will notify the relevant offline distributors and request the offline distributors to cease the non-compliant activities within a specified period of time.

For our online distributors, we collect and analyze data on the sales performance of our online channels and monitor the performance through reports that generated from our ERP system. These reports contain information such as level of inventory, sales volume, trends in the sales, and comparisons of sales with historical statistics. Our sales and marketing team analyses the information regularly to keep ourselves updated and adjusts our online sales and marketing strategies as necessary. We have been making efforts to develop systems, including the Ligoutai (立購台) and Ligouchuang (立購窗), for the purpose of helping us effectively manage our relationships with our distributors. Through our Ligoutai (立購台) and Ligouchuang (立購窗) systems, functions such as self-ordering, inventory management and reconciliation can be realized. The data collected by the Ligoutai (立購台) and Ligouchuang (立購窗) systems also helps us better monitor and manage the daily work and market performance of our frontline sales staff and offline distributors. As of December 31, 2020, the amounts of unsold inventory held by our online distributors were on average at a healthy level in line with industry practices, according to CIC.

Relationships with Distributors

We have a seller-buyer relationship with our distributors and revenue is recognized when the ownership of our products has been transferred to our distributors. To the best knowledge of our Directors and as of the Latest Practicable Date, except for Liby Group, all of our distributors are independent third parties and none of our distributors or their beneficial owners were previously employees of our Company or traded under our name. To the best knowledge of our Directors, all of our distributors are primarily engaged in the consumer goods distribution business. We do not rely on any of our distributors individually. Even if our distributors had business relationships with Liby Group and our other related parties, we will not provide more preferential terms to such distributors.

Sales to our distributors, except for Liby Group are generally made on a payment-before-delivery. Our distributors arrange their own financing which they require for their business. For the years ended December 31, 2017, 2018, 2019 and September 30, 2020, 471, 200, 612 and 41 of our offline distributors sought financing services respectively from Baokai Daorong, entities that are wholly-owned by our Controlling Shareholders which are primarily engaged in the business of providing financing services that cover various industries including petrochemical, consumer goods, packaging materials and logistics, etc. These offline distributors have obtained financing from Baokai Daorong during the Track Record Period as sales of certain of our products were subject to seasonality by nature and these offline distributors usually experienced financial needs during the first quarter of each year to replenish their inventory in preparation for peak consumer demands. Our Directors believe that the decrease in number of distributors who obtained financing from Baokai Daorong for the nine months ended September 30, 2020 was due to the availability of other more competitive financing service providers in the market. Baokai Daorong will transfer the purchase amount to us after these offline distributors have placed orders with us and informed Baokai Daorong of the details of their purchase order. After we have received the purchase amount, we will deliver our products to the agreed location in accordance to the distribution agreements separately entered into with these offline distributors. These offline distributors will repay the amount financed as well as interest to Baokai Daorong. The revenue generated by these offline distributors who sought financing services from Baokai Daorong were RMB623.0 million, RMB266.2 million, RMB662.4 million and RMB84.0 million, respectively, for the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2020. During the same periods, Baokai Daorong provided financing of RMB248.2 million, RMB80.5 million, RMB378.2 million and RMB16.0 million, respectively, to these offline distributors, which we received directly from Baokai Daorong. In order to facilitate this financing arrangement, we entered into tripartite agreements with Baokai Daorong and the distributors. Financing agreement in the form of a tripartite agreement is not a special requirement by Baokai Daorong as it is not uncommon in the financing industry, as confirmed by CIC. Distributors pay interest to Baokai Daorong on the financing arrangement and we do not receive from, or pay to, Baokai Daorong, any fees in connection with its provision of financing to distributors. Our distributors are generally required to repay the amount financed together with interest to Baokai Daorong typically within 240 days of the financing. The distributors are liable for the payment of the amount financed and the interest and expenses incurred under the tripartite agreement with Baokai Daorong. Based on the best knowledge of our Directors and information provided by Baokai Daorong, the distributors who have obtained financing from Baokai Daorong have not experienced material default or delay in their payment during the Track Record Period, and there were other distributors who obtained financing from Baokai Daorong to purchase products from other companies other than our Group during the Track Record Period. Some of the distributors who have obtained financing from Baokai Daorong have also obtained financing from independent third-party financial service providers during the Track Record Period. To the best knowledge of our Directors, there is no other relationship between the distributors who obtained distributor financing from Baokai Daorong and our Controlling Shareholders and their close associates (apart from Liby Group and Baokai Daorong).

The financing provided by Baokai Daorong were on terms that are comparable to those provided by Baokai Daorong to other third party customers who are not our distributors, based on Baokai Daorong's independent assessment of the creditworthiness of our distributors. To the best knowledge of our Directors and according to CIC, the terms of the financing provided by Baokai Daorong to our distributors were comparable to those provided by other financial service providers during the Track Record Period. Some of our distributors have obtained financing from independent third-party financial service providers during the Track Record Period as well, and our distributors who we have entered into tripartite agreement with are required to purchase from our Group with the financing obtained from Baokai Daorong as Baokai Daorong will transfer the purchase amount to us directly after these distributors have presented their purchase order with us to Baokai Daorong. During the Track Record Period, a total of RMB248.2 million, RMB80.5 million, RMB378.2 million and RMB16.0 million of financing was obtained by our distributors under this arrangement.

During the Track Record Period, the average annualized interest rates charged by Baokai Daorong to our distributors were comparable to prevailing market rates during the same period.

During the Track Record Period, in the ordinary and usual course of business when the distributors communicated to us of their financing needs, we recommended various financing options to our distributors which involve Baokai Daorong and other independent third party financing service providers. However, Baokai Daorong did not refer any distributor to us. Our distributors make their own choices as to whether they require financing for their business, and on the provider of such financing. As different types of customer financing become more widely available, in August 2020, we decided to terminate all existing financing arrangements before Listing and not enter into any further tripartite agreements with Baokai Daorong and our distributors. We have not sold products to any distributor who obtain financing from Baokai Daorong since August 2020. All outstanding amount due to Baokai Daorong from our distributors have been repaid as at the Latest Practicable Date. Due to personal reasons or individual operation circumstances such as operation being loss-making, nil, 46, 70 and 39 distributors who obtained financing from Baokai Daorong terminated their relationship with us for the year ended December 31, 2017, 2018 and 2019 and up to the Latest Practicable Date, respectively, but none of them terminated their relationship with us due to the termination of distributor financing with Baokai Daorong to the best of our knowledge.

Our Customers

As of September 30, 2020, we had business relationship with our top five customers for a number of years. For the years ended December 31, 2017, 2018, and 2019, and the nine months ended September 30, 2020, sales to our top five customers represented approximately 21.0%, 25.5%, 25.2% and 25.3% of our total revenue for the same periods, respectively. Sales to our largest customer, Liby Group, represented approximately 17.9%, 23.0%, 20.7% and 20.7% of our total revenue for the same periods.

So far as our Directors are aware, except for Liby Group, none of our Directors or executive officers of our Company or its subsidiaries, their respective associates or any Shareholders of our Company holding more than 5% of the issued share capital of our Company immediately following the completion of the Global Offering, had any interests in any of our five largest customers during the Track Record Period.

The following tables set forth certain information of our five largest customers during the Track Record Period.

For the year ended December 31, 2017

Customer	Customer type	Background	Sales amount	% of total sales	Products sold	Relationship with the Company	Credit terms from invoice date
			(RMB'000)				
Liby Group	Distributor	A leading enterprise of the Chinese daily chemical industry with headquarters in Guangdong province.	241,427	17.9	All categories	Related-party	45 days
Customer A	Distributor	An individual dealer engaged in daily chemical industry based in Guangdong province.	13,408	1.0	All categories	Third-party	Prepayment
Customer B	Distributor	A trading company engaged in daily chemical industry based in Zhejiang province.	11,343	0.8	All categories	Third-party	Prepayment
Customer C	Distributor	A trading company engaged in daily chemical industry based in Shanghai.	9,887	0.7	All categories	Third-party	Prepayment
Customer D	Distributor	A trading company engaged in daily chemical industry based in Guizhou province.	7,983	0.6	All categories	Third-party	Prepayment

For the year ended December 31, 2018

Customer	Customer type	Background	Sales amount	% of total sales	Products sold	Relationship with the Company	Credit terms from invoice date
			(RMB'000)				
Liby Group	Distributor	A leading enterprise of the Chinese daily chemical industry with headquarters in Guangdong province.	310,591	23.0	All categories	Related-party	45 days

Customer	Customer type	Background	Sales amount	% of total sales	Products sold	Relationship with the Company	Credit terms from invoice date
			(RMB'000)				
Customer D	Distributor	A trading company engaged in daily chemical industry based in Guizhou province.	9,219	0.7	All categories	Third-party	Prepayment
Customer A	Distributor	An individual dealer engaged in daily chemical industry based in Guangdong province.	9,106	0.7	All categories	Third-party	Prepayment
Customer E	Distributor	An individual dealer engaged in daily chemical industry based in Guangdong province.	8,410	0.6	All categories	Third-party	Prepayment
Customer B	Distributor	A trading company engaged in daily chemical industry based in Zhejiang province.	7,238	0.5	All categories	Third-party	Prepayment

For the year ended December 31, 2019

Customer	Customer type	Background	Sales amount	% of total sales	Products sold	Relationship with the Company	Credit terms from invoice date
			(RMB'000)				
Liby Group	Distributor	A leading enterprise of the Chinese daily chemical industry with headquarters in Guangdong province.	286,634	20.7	All categories	Related-party	45 days
Customer F	Distributor	A supply chain management company engaged in Tmall supermarket based in Zhejiang province.	23,384	1.7	All categories	Third-party	5 days

Customer	Customer type	Background	Sales amount	% of total sales	Products sold	Relationship with the Company	Credit terms from invoice date
			(RMB'000)				
Customer G	Distributor	An online dealer based in Shanghai.	15,512	1.1	All categories	Third-party	Prepayment
Customer H	Distributor	An online dealer based in Shanghai.	12,962	0.9	All categories	Third-party	Prepayment
Customer A	Distributor	An individual dealer engaged in daily chemical industry based in Guangdong province.	10,995	0.8	All categories	Third-party	Prepayment

For the nine months ended September 30, 2020

Customer	Customer type	Background	Sales amount	% of total sales	Products sold	Relationship with the Company	Credit terms from invoice date
			(RMB'000)				
Liby Group	Distributor	A leading enterprise of the Chinese daily chemical industry with headquarters in Guangdong province.	302,200	20.7	All categories	Related-party	45 days
Customer F	Distributor	A supply chain management company engaged in Tmall supermarket based in Zhejiang province.	24,842	1.7	All categories	Third-party	5 days
Customer H	Distributor	An online dealer based in Shanghai.	17,175	1.2	All categories	Third-party	Prepayment
Customer I	Distributor	An online dealer based in Guangdong province.	14,640	1.0	All categories	Third-party	Prepayment
Customer G	Distributor	An online dealer based in Shanghai.	10,685	0.7	All categories	Third-party	Prepayment

Consumer Data and Data Protection

We collect different types of consumer data based on how and where our products are sold to end consumers. When products are sold through our self-operated online stores, we have access to consumers' network identity information, address and contact information and transaction history. When products are distributed through distributors either on e-commerce platforms or offline, we do not have access to consumer personal information but certain consumer behavior data are shared by our distributors with consumers' prior consent. We also operate an integrated membership system, which collects consumer demographic data, such as age, gender and education, and consumer behavioral data, such as product preferences and consumption frequency.

We are committed to protecting consumers' personal information and privacy. We have adopted security policies and measures to protect such consumer data. We highly value the protection of the privacy and personal information of consumers, and also treat and process consumers' personal information with high prudence. We have technical support for data protection and various safeguards to ensure information security. We comply with the international information security management system standard (ISO27001) and the national standard (GB/T22080-2016), and accordingly deploy behavior control, firewall, anti-virus software. In addition, with database audits, high-strength firewalls and security reinforcement provided by established security vendors, we regularly organize tests and perform security scans on our systems. We have also formulated a set of data protection policies for our employees, which requires our employees to abide by information security regulations, in order to ensure safety of the relevant information involved in the business operations.

Product Pricing

In determining our prices, we take into account a variety of factors, such as the demand and supply of our products, anticipated market trends, costs of raw materials and packaging materials, production costs, product categories, retail prices of our competitors' products, spending patterns of our target consumers, historical sales data, and the expected profit margins for us and our distributors and key accounts. We review and adjust our product prices periodically based on these factors and other general market conditions.

Generally, we set suggested retail prices for our products and our sales personnel frequently inspect our distributors to monitor whether our products are being sold in accordance with our pricing policies.

Seasonality

Our results of operations are affected by seasonal fluctuations in demand for our products. We experience higher sales volume in the time leading to the Chinese New Year holidays, primarily because (i) our household cleaning products are in high demands due to the tradition of cleaning the house during the Chinese New Year, and (ii) our distributors place the orders in advance to avoid the shortage of manpower and logistics services during the Chinese New Year holidays. Our sales are also higher around the few major online shopping holidays in China, such as the 618 Shopping Festival on June 18, when we launch various promotional and marketing campaigns. We typically record higher sales volumes from January to April of a year for our household insecticides and repellents products, when distributors start to place orders and make purchases in preparation for the peak consumer demands for insecticides and repellents products in the summer months from April to September. The sales volumes of such products decrease in the winter months due to the lower demand. Our revenue and profit are concentrated in the first three quarters of the year. In 2019, we generated 90.4% of our full-year revenue and 94.7% of our profit and total comprehensive income for the year in the first three quarters. Moreover, sales of certain products are subject to seasonality by nature.

BRANDING AND MARKETING

We have adopted a multi-brand and multi-product category strategy to target a broad range of consumer groups and product categories. We focus on developing different brands for various product categories targeting different consumer segments. We continuously invest in our brands to further raise brand recognition and acceptance. To enhance the visibility and marketability of our products and promote our brand recognition, we undertake advertising and promotional campaigns. Our advertising and promotional activities primarily consist of advertising campaigns on television channels, internet, social media platforms, outdoor advertising and other print media, on-site promotions at distributor and key account store fronts. We believe these advertising and promotional strategies help promote our own brands and increase our product awareness among our targeted customer groups. Our marketing and advertising expenses in 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020 were RMB172.2 million, RMB159.3 million, RMB226.5 million, RMB186.4 million and RMB171.4 million, respectively, representing approximately 12.8%, 11.8%, 16.4%, 14.9% and 11.7% of our total revenue, respectively.

We have a professional and experienced brand operation team, which has created many classic cases in the field of marketing. During the Track Record Period, we won many awards, including the IAI International Advertising Award (“IAI 國際廣告獎”) for our collaboration with Disney on the “Vewin Mini Chef • Dazzling Shanghai Disney” (“威王大少廚 • 閃耀上海迪士尼”) campaign which directly targets young families. We also recently collaborated with a leading ride-hailing service provider by placing certain of our hand sanitizers and disinfectant products in its vehicles to provide passengers a safe and clean riding experience and enhance recognition and visibility of our products.

Our marketing efforts also focus on cultivating markets, educating consumers, creating consumer demand, and reshaping consumer behaviors and lifestyles. For example, although consumers use washing machines to clean their clothes, the washing machine itself often goes unnoticed. In response to this situation, we launched Vewin washing machine tank cleaners and built marketing campaigns around the product to educate consumers on the importance of washing machine tank cleaners. Moreover, we organize special events and bring our products into neighborhoods and communities where we promote our products, deliver household care knowledge and collect customer feedback at the door fronts of our customers. Theses interactions allow us to better understand the needs of our customers, enhance our brand recognition and build stronger consumer relationships. During the Track Record Period, we have held over 2,000 times of such events.

Furthermore, we often launch image stores for our brands in supermarkets through our distributors and key accounts. We believe that the retail experience at these image stores contributes significantly to purchase decisions and the brand image of our products. Accordingly, we aim to create a unique image for image stores through the use of standardized and modern décor and designs that are distinctive to our products and brand portfolio.

We consider online marketing as one of our strategic priorities. Going forward, we plan to increase our efforts in developing more effective internet and social media promotional campaigns to cope with changing consumer habits and gain access to younger customers, while decreasing our spending on other traditional marketing activities. We have a dedicated online marketing team focusing on the development of online marketing campaigns on various online platforms, including e-commerce platforms and social media platforms. Based on our insight into online consumer shopping habits, we deployed advertising campaigns through social media platforms to deliver household care and personal care knowledge to customers while at the same time promote our products.

We utilize social media platforms to carry out promotional activities for different audiences of different brands. For example, Superb Liquid Vaporizer incorporated mosquito repellent into an open debate topic on the social media platform Douyin to showcase the product features through interesting contents and involve in-depth consumer participation. The video received over 510 million views and over 2.3 million likes. Our Babeking brand has claimed a lot of attention on mother & baby topics on Weibo with over 570 million views, and won the Golden Mouse Award – Most Innovative Brand in Digital Marketing" consecutively. Our Vewin brand collaborated with Dingxiang Doctor (丁香醫生) for two consecutive years, in order to deeply-cultivate the consumers that pay attention to life quality on WeChat and other platforms. By attracting customers on Douyin and Xiaohongshu, our new Cyrin Deodorant Spray broke through the beauty circle and quickly increased its brand awareness, and won the IAI Integrated Marketing Award.

We work with e-commerce platforms and participate in special events organized by these online platforms. For instance, we participated in Singles' Day sales event on Tmall and JD.com's 618 Shopping Festival. We generally participate in the sales activities organized by the e-commerce platform and utilize online resources such as live streaming to illustrate our products and relevant household cleaning knowledge. Moreover, we have from time to time launched co-branded products customized for certain e-commerce platforms as well as various multi-item combo packs as part of our e-commerce marketing strategies tailored to fit shopping habits of online consumers. In addition, we also engage various top KOLs to promote our products through live streaming. All KOLs that we cooperate with are not our distributors.

We believe our online marketing activities provide us with opportunities to effectively interact with consumers, and enable us to collect sales data, such as shopping amount, frequency, time, location, membership application information and customers' feedback. We conduct big data analysis on such information to facilitate us in making decisions regarding product design, marketing focus and manage inventory level, and drive constant improvements to our marketing and promotion process, as well as adaptations of attributes of merchandises most attractive to customers, thereby enhancing the desirability of our products.

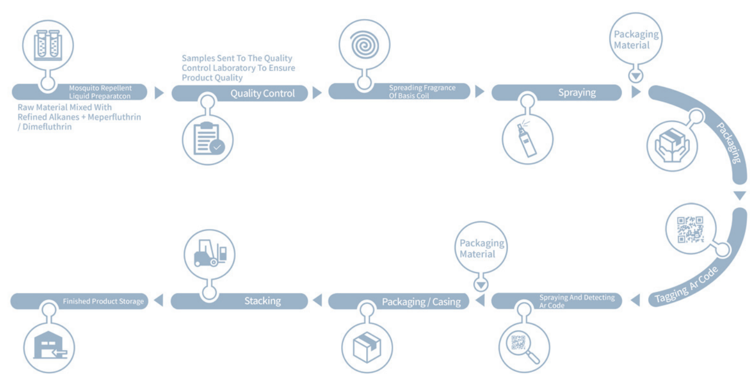
PRODUCTION

Our production process is designed to ensure high standards of quality while delivering the ability to rapidly ramp up production of products on short timeframes to meet market demands. Our optimized production process allows us to accelerate the pace of production ramp up, implement products requirement modifications more quickly, and maintain low defect rates.

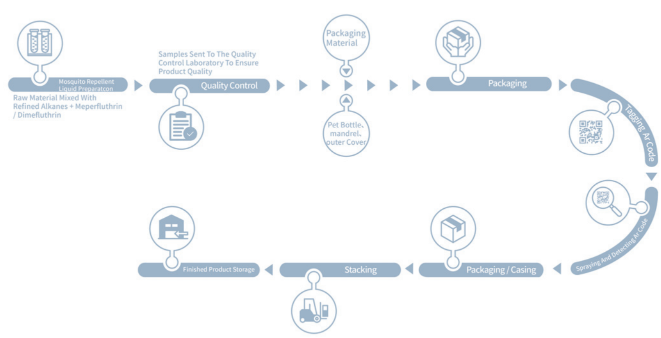
Production Process

The typical production process of certain key products, such as our mosquito coils, vaporizers and household cleaning products; are as follows:

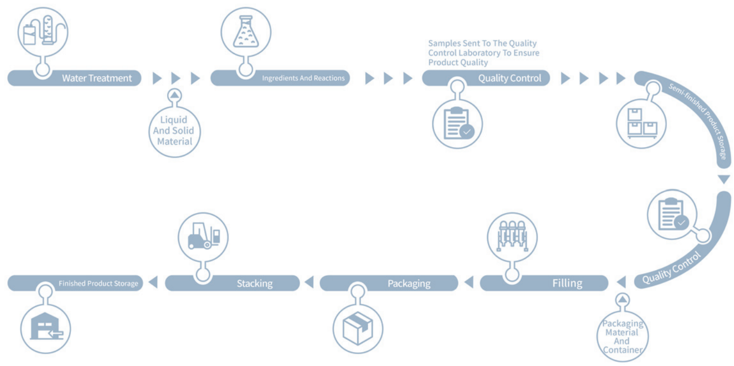
Mosquito Coil



Liquid Vaporizers/Vaporizing Mats



Household Cleaning Products



We continuously review the production process and analyze production data to explore opportunities for productivity enhancement and to adopt more effective practices consistently across our production lines. Our production process requires a stable and sufficient supply of utilities, such as water and electricity. We anticipate that our reliance on such supply of utilities will increase as we seek to expand our production capacity. During the Track Record Period, we did not experience any disruption in the supply of utilities that had a material impact on our business or operations.

Production Facilities

As of the Latest Practicable Date, we operated two production facilities in China: (i) the Panyu Plant; and (ii) the Anfu Plant. The below table sets forth the locations, product categories, year of establishment and approximate gross floor area of each of our key production facilities:

Facility Name	Location	Primary Products Manufactured	Year Established/ Acquired	Approximate Gross Floor Area
				(sq.m)
Panyu Plant (番禺基地)	Panyu District, Guangzhou	Household insecticides and repellents and household cleaning products	2011	12,263
Anfu Plant (安福基地)	Anfu County, Jiangxi	Household insecticides and repellents, household cleaning, air freshening	2006	55,209

We have significantly invested in improving the automation level of our production facilities at our Panyu Plant and Anfu Plant. A large portion of the production lines and equipment are equipped with automated production capabilities or have been custom-made to suit our production needs. For example, during the Track Record Period, in order to improve our production efficiency and level of automation at Panyu Plant, we purchased two additional automated filling lines as well as automated boxing machines and QR code spurting and collecting machines for our Superb, Babeking and Vewin products.

Moreover, in order to increase our production capacity, improve our facility layout, upgrade our production lines and increase automation at our Anfu Plant, we started renovating the existing phase one facilities and commenced phase two expansion at Anfu Plant in March 2015 and completed in May 2020. During the process of renovation and expansion, we invested in certain highly automated and high quality production manufacturing equipment. For example, during the Track Record Period, we purchased three additional automated production lines for our Anfu Plant, an automated centralized palletizing system and established a fully-automated tridimensional warehouse.

Production Capacity and Utilization Rate

Starting from 2019, in order to improve inventory turnover and production efficiency, with respect to disinfectant products, we transitioned our production process to a "make-to-order" model, where manufacturing is planned and carried out based on actual purchase orders received from distributors instead of demand forecasts and estimates. Such transition has resulted in lower utilization rates for our production lines in 2019 compared to prior periods. Even though our utilization rates of our production facilities was comparatively lower in 2019, we have nonetheless outsourced the production of certain products to our connected suppliers, Liby Group and Shanghai Cogi, primarily because (i) majority of the products manufactured in our production plants were different from those manufactured by Liby Group and Shanghai Cogi and our production plants did not have the relevant production line for the manufacturing of products outsourced to Liby Group and Shanghai Cogi; and (ii) the proximity between nationwide production premises of Liby Group and Shanghai Cogi and the end sales markets of those products so that it is more cost efficient for us as less transportation and logistics costs will be incurred. Our production lines for different product categories are not interchangeable. We engage logistics services providers to deliver products from the production premises of Liby Group and/or Shanghai Cogi to the customers. To ensure product quality, before each product shipment, we conduct on-site sample tests at the premises of our connected suppliers and send product samples back to our central lab for retention and lifetime quality tracking. The following table sets forth a summary of our annual production capacity in terms of designed production capacity and utilization rates for our facilities for the period indicated.

Anfu Plant

Product Category	Year/Period	Number of Production Lines	Production of the Year/ Period	Production Capacity of the Year/ Period	Utilization Rate(2)
			('000 units)	*('000 units)(1)*	
Mosquito coils	2017	5	1,070.16	1,250.00	85.6%
	2018	6	1,236.13	1,500.00	82.4%
	2019	6	873.64	1,500.00	58.2%(3)
	The nine months ended September 30, 2020	6	732.48	1,122.00	65.3%(6)
Liquid Vaporizer	2017	3	657.58	787.50	83.5%
	2018	3	642.93	787.50	81.6%
	2019	3	480.27	787.50	61.0%(3)
	The nine months ended September 30, 2020	3	556.28	683.45	81.4%(7)
Vaporizing Mat	2017	1	174.26	250.00	69.7%
	2018	1	214.11	250.00	85.6%
	2019	1	173.36	250.00	69.3%(3)
	The nine months ended September 30, 2020	1	133.39	197.00	67.7%(8)
Gel air fresheners	2019	2(4)	151.83	316.50	48.0%
	The nine months ended September 30, 2020	2	170.28	280.50	60.7%(9)
Toilet cleaners	2018	1	60.36	200.00	30.2%
	2019	1	114.81	200.00	57.4%
	The nine months ended September 30, 2020	1	130.85	149.60	87.5%(5)

Notes:

(1) The production capacity of the year is estimated based on the following assumptions: (i) all product lines are functioning in its full capacity; (ii) one 9.5-hour shift for 250 days for 2017, 2018 and 2019 and one 9.5-hour shift for 187 days for the nine months ended September 30, 2020; (iii) the average production capacity was 1,000 units per day, 1050 units per day, 1,000 units per day, 750 units per day and 1,500 units per day for our mosquito coils, liquid vaporizers, vaporizing mats, gel air fresheners and toilet cleaner production lines, respectively;

(2) Utilization rate is calculated by dividing the production during the year by production capacity of the year;

(3) Utilization rate for our mosquito coils, liquid vaporizers and vaporizing mats decreased from 2018 to 2019 primarily due to our transition to a make-to-order-model;

(4) These gel air freshener production lines were commenced production in March 2019;

(5) Utilization rates of our toilet cleaner production lines continued to increase from 2018 to the nine months ended September 30, 2020 primarily because the sales of our toilet cleaner products increased and the production line has fully ramped up since 2018.

(6) The change in the utilization rate of our mosquito coils production lines was mainly because (i) we have largely completed our transition to the "make-to-order" model and was able to more accurately plan our production capacity; partially offset by (ii) the seasonal decrease in demand for mosquito coils products in the third quarter of 2020.

(7) The change in the utilization rate of our liquid vaporizer production lines was mainly because (i) we have largely completed our transition to the "make-to-order" model and was able to more accurately plan our production capacity; partially offset by (ii) the seasonal decrease in demand for liquid vaporizer products in the third quarter of 2020.

(8) The change in the utilization rate of our vaporizing mat production lines was mainly because (i) we have largely completed our transition to the "make-to-order" model and was able to more accurately plan our production capacity; partially offset by (ii) the seasonal decrease in demand for vaporizing mats in the third quarter of 2020.

(9) The increase in the utilization rate of our gel air fresheners production lines was mainly because the production lines continued to ramp up since they were put into operation in March 2019.

Panyu Plant

Product Category	Year/Period	Number of Production lines	Production of the Year/ Period	Production Capacity of the Year/ Period	Utilization Rate[(2)]
			('000 units)	*('000 unit)[(1)]*	
Household cleaning products	2017	1	417.57	495.00	84.36%
	2018	2[(3)]	384.61	557.50	68.99%[(4)]
	2019	2	391.01	990.00	39.50%[(4)]
	The nine months ended September 30, 2020	2	313.29	467.50	67.0%[(5)]
Liquid Vaporizer	2017	3	481.39	990.00	48.63%[(6)]
	2018	3	753.84	990.00	76.15%
	2019	3	467.18	900.00	51.91%
	The nine months ended September 30, 2020	3	520.53	561.00	93.0%[(8)]
Vaporizing Mat	2017	1	140.64	264.00	53.27%
	2018	1	172.78	264.00	65.45%
	2019	1	49.85	240.00	20.77%[(7)]
	The nine months ended September 30, 2020	1	83.52	149.60	56.0%[(9)]

Notes:

(1) The production capacity of the year is estimated based on the following assumptions: (i) all product lines are functioning in its full capacity; (ii) For household cleaning products, (a) 9.5-hour shift (a day in the peak season has two shifts and a day in the off season has one shift); (b) peak season has 146 days while off season has 104 days, (c) the daily production capacity for one shift on one production line in both peak and off season is 1,250 units, and (d) we had 187 one-shift days for the nine months ended September 30, 2020; (iii) For liquid vaporizers, (a) 9.5-hour shift; (b) for 2017 and 2018, there were 250 work days among which 80 days had two shifts and 170 days had one shift; (c) for 2019, there were 250 work days among which 50 days had two shifts and 200 days had one shift (d) for the nine months ended September 30, 2020, we had 149 work days among which 79 days had two shifts and 70 days had one shift; and (e) the daily production capacity for one shift on one production line is 1,000 units of liquid vaporizers; (iv) For vaporizing mat, (a) 9.5-hour shift; (b) for 2017 and 2018, there were 250 work days among which 80 days had two shifts and 170 days had one shift; (c) for 2019, there were 250 work days among which 50 days had two shifts and 200 days had one shift (d) we had 187 one-shift days for the nine months ended September 30, 2020; and (e) the daily production capacity for one shift on one production line is 800 units of vaporizing mat.

(2) Utilization rate is calculated by dividing the production during the year by production capacity of the year;

(3) Our second Vewin automatic bottling line commenced production in October 2018;

(4) The decrease in utilization rate was mainly due to the increase in production capacity as a result of our new production lines in 2018.

(5) The increase in the utilization rate of household cleaning product production lines in 2020 was mainly due to the increase in demand for our products and the demand for donations of related products during the COVID-19 pandemic. However, as Panyu Plant did not possess the relevant license for manufacturing of disinfectant products during the Track Record Period, we could only outsource the production of disinfectant products to Liby Group. We obtained such license on January 15, 2021.

(6) The utilization rate in 2017 was lower than that in 2018 mainly due to higher sales of liquid vaporizers in 2018.

(7) The decline in utilization rate was mainly due to the lower sales of vaporizing mat and the balanced delivery model we took.

(8) The increase in the utilization rate of our liquid vaporizer production lines was mainly because (i) we have largely completed our transition to the "make-to-order" model and was able to more accurately plan our production capacity; (ii) the sales of our liquid vaporizer products increased.

(9) The increase in the utilization rate of our vaporizing mat production lines was mainly due to increased sales of vaporizing mats.

Outsourcing Arrangements

According to the nature of the items to be produced, our existing capacity and for the purpose of providing flexibility in our production planning and enhancing our cost effectiveness, during the Track Record Period, we entered into various outsourcing arrangements with Liby Group and other third-party manufacturers to assist in our production processes under ODM and OEM arrangements with industry customary contractual terms. Our third-party manufacturers and Liby Group produce our products based on specifications and standards established by us and do not require production know-how and techniques of our Group to manufacture our products. We possess the key patents and technologies in relation to the production of our products by our third-party manufacturers. For manufacturing certain of our products, we also sold raw materials and semi-finished products to these third party manufacturers during the Track Record Period. As of September 30, 2020, we engaged 40 third-party manufacturers to assist in our production, among which, 32 were independent third parties, and eight were subsidiaries of Liby Group and Shanghai Cogi. Certain of our third-party manufactures have had business relationships with us for more than 8 years. We believe our strategic outsourcing arrangement has allowed us to focus our resources on our main product segments and increase production capacity in a timely manner without incurring additional capital expenditure. Our outsourcing arrangement also provides us with greater flexibility to adjust our product mix more quickly to react to changing consumer demand and market conditions. For the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, the costs of OEM and ODM amounted to approximately RMB593.2 million, RMB595.3 million, RMB529.0 million, RMB480.9 million and RMB535.8 million, respectively, representing approximately 68.8%, 70.2%, 67.5%, 67.5% and 64.2%, respectively, of our cost of sales during the same years.

We have been actively expanding our product portfolio to meet the changing demands of customers in various age groups by subcontracting the manufacturing of our certain products and procure them as finished products. For instance, in 2019, we began to outsource manufacturing of our pet supplies products under our Naughty Buddy (倔強的尾巴) and Dux brands and procure them as finished products. Further, in order to take advantage of the production capabilities of Liby Group, especially in the production of household cleaning products, we also outsource the production of our kitchen cleaning and toilet cleaning products under "Vewin" and "Superb" brands to and procure them as finished products from Liby Group during peak season when we require excess production capacity to meet customer demand. Given our long term cooperation relationship with Liby Group, they are familiar with our product specifications and requirements and are able to respond to our production demand both in terms of production processes and ability to secure raw materials in a shorter timeframe compared to other third party manufacturers. During the Track Record Period, Liby Group also distributed some of our products that were outsourced to them for manufacturing. Our third-party manufacturers are not allowed to sell these products manufactured for us to other third parties. For further details of our outsourcing arrangements with Liby Group, please refer to the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions – 2. Outsourcing Framework Agreement with Mr. KX Chen and Mr. KC Chen" in this prospectus.

In order to ensure the quality of our products and reliability of our supply, we evaluate these manufacturing partners according to production performance, quality control and compliance with applicable laws and regulations, we also conduct on-site inspection from time to time if necessary. With these stable business relationships with these third-party manufacturers and our past experiences of transactions with them, we do not foresee any imminent risk of their failure to provide the manufacturing services to us. We believe we are not dependent on any of our third-party manufacturers given that there are a relatively high number of third-party manufactures that are available to us.

The following tables set forth certain information of our five largest third-party outsourced manufacturers during the Track Record Period.

For the year ended December 31, 2017

Manufacturer	**Background**	**Purchased amount**	**Products/service outsourcing**	**Credit terms from invoice date**
		(RMB'000)		
Company A	An aerosol and original pesticide manufacturer based in Guangdong province.	67,606	Aerosol	20 days
Company B	A original pesticide manufacturer based in Jiangsu province.	63,318	Pesticide chemicals	30 days
Company C	A company based in Shandong province.	48,481	Aerosol, Mosquito coils	20 days or 30 days depending on the products
Company D	A company based in Anhui province.	38,508	Mosquito coils	30 days
Company G	A mosquito repellent manufacture based in Guangxi province.	36,754	Mosquito coils	30 days

For the year ended December 31, 2018

Manufacturer	Background	Purchased amount	Products/service outsourcing	Credit terms from invoice date
		(RMB'000)		
Company B	A pesticide chemicals manufacturer based in Jiangsu province.	79,132	Pesticide chemicals	60 days
Company A	An aerosol manufacturer based in Guangdong province.	53,297	Aerosol	20 days
Company C	An aerosol and mosquito repellent manufacture based in Shandong province.	50,694	Aerosol, Mosquito coils	20 days or 30 days depending on the products
Company E	A mosquito repellent manufacture based in Sichuan province.	46,090	Mosquito coils	40 days
Company H	A fragrance raw materials manufacture based in Jiangxi province.	40,110	Mosquito coils	30 days

For the year ended December 31, 2019

Manufacturer	Background	Purchased amount	Products/service outsourcing	Credit terms from invoice date
		(RMB'000)		
Company F	An aerosol manufacturer based in Guangdong province.	38,984	Aerosol	20 days
Company B	A pesticide chemicals manufacturer based in Jiangsu province.	34,812	Pesticide chemicals	30 days
Company C	An aerosol and mosquito repellent manufacture based in Shandong province.	29,377	Aerosol, Mosquito coils	20 days or 30 days depending on the products
Company G	A mosquito repellent manufacture based in Guangxi province.	23,942	Mosquito coils	30 days
Company H	A fragrance raw materials manufacture based in Jiangxi province.	21,582	Mosquito coils	30 days

For the nine months ended September 30, 2020

Manufacturer	Background	Purchased amount	Products/service outsourcing	Credit terms from invoice date
		(RMB'000)		
Company B	A pesticide chemicals manufacturer based in Jiangsu province.	51,762	Pesticide chemicals	60 days
Company F	An aerosol manufacturer based in Guangdong province.	48,875	Aerosol	20 days
Company C	An aerosol and mosquito repellent manufacture based in Shandong province.	46,089	Aerosol, Mosquito coils	20 days or 30 days depending on the products
Company H	A fragrance raw materials manufacture based in Jiangxi province.	22,180	Mosquito coils	30 days
Company G	A mosquito repellent manufacture based in Guangxi province.	19,765	Mosquito coils	30 days

Critical Machinery and Equipment

We endeavor to equip our manufacturing facilities with advanced and automated equipment, which we believe is essential to increase automation, ensure reliability as well as cost competitiveness. Many of the machines we utilize require minimal human operation, allowing us to reduce labor costs and focus our manufacturing facility staffing on maintenance and supervisory personnel. We purchase various machinery, equipment and parts from third parties that are then assembled in-house, some of which were imported from overseas countries, such as, Germany and Japan. We design, customize and integrate a variety of advanced technologies into our production process. The critical machinery and equipment applied in our production processes are mostly chemical resistance and are as set forth below.

- ingredient management system which standardizes our ingredient management and ingredient addition procedure, collect relevant data, and improves our ingredient management automation and efficiency. An anti-error function is installed to system to ensure that ingredients are added correctly;

- centralized automatic palletizing system which automatically palletize the products produced after transport and identification to minimize labor input and improves our production efficiency;

- automated filling machine integrated with high precision weighing modules to ensure identical product weight;

- a variety of automated capping machine, packaging machine and labeling machine which have good adaptability to different cap sizes and packaging materials;

- fully automated intelligent tridimensional warehouse which improves operational efficiency by automatically controlling the entering and exiting of inventory by computer.

Our critical production machinery and equipment generally have useful lives of approximately six to ten years. Based on our experience, such useful lives may be extended for longer period with appropriate repair and maintenance. In determining the useful life and residual value of our production machinery and equipment, we consider various factors, such as changes in market demand, production process and techniques and expected usage of the production machinery and equipment. The estimation of the useful life of production machinery and equipment is generally based on our experience with similar production machinery and equipment that are used in a similar way. As of September 30, 2020, the average remaining useful life and replacement cycle of our critical machinery and equipment is approximately five years.

Repair and Maintenance

We carry out inspections and maintenance at our production facilities. Our inspections and maintenance are conducted on a daily, monthly and annual basis. Our daily inspections includes cleaning and greasing our equipment and machinery. Each month our technician inspects the degree of wear and tear, sensitivity of electrical components and whether all moving parts are working smoothly. Our technicians are also responsible for replacing any malfunctioning parts. Maintenance overhauls are carried out on the whole production facility each year. We have developed and implemented internal procedures at our production facilities periodically according to the characteristics and requirements of the particular equipment and machinery in order to ensure they function properly. During the Track Record Period, we did not experience any material or prolonged suspensions of operations due to machinery, equipment or other facility failures.

Production Expansion Plans

According to CIC, the household care markets are expected to continue to grow in the future and reach RMB69,433.7 million in 2024 in terms of retail sales value, representing a CAGR of 8.7% between 2019 and 2024. In order expand our production capacity and facilitate our long term business development plans in this fast growing market, we plan to further expand our production capacity by increasing production capacity at our existing production facilities and constructing additional production facilities overseas.

As of September 30, 2020, we completed the phase two expansion at our Anfu plant. Upon completion, our Anfu Plant covers a total GFA of approximately 52,730 sq.m. We intend to build our Anfu Plant into a multi-category production facility with comprehensive cost advantages, industry leading automation and intelligence level.

In line with our plan to further develop our overseas markets in light of the rising demand of our products in southeast Asia regions and other overseas markets, meanwhile reducing production costs we decided to expand our production network and our production capacity by establishing a new production plant in Vietnam which is initially designed for the production of our mosquito coil products. We operate our Vietnam plant in a light-asset model of leased land and plants and with OEM partners.

Pursuant to the shareholder agreement in connection with the relevant joint venture company in Vietnam, we and the business partner, Xiamen Yuhao Investment Company Limited ("**Xiamen Yuhao**"), agreed to jointly establish a joint venture in Binh Phuoc Province, Vietnam, in which we have 51% majority control. The total registered capital of the joint venture is US$1.0 million, which had been fully subscribed by the end of 2020. Both parties agreed to lease properties for the production plant and to establish one production line for mosquito coil with the designed production capacity of 400,000 units per year. In the preparation stage, we will be mainly responsible for the completion of local administrative procedures for corporate incorporation, while Xiamen Yuhao will be mainly responsible for the feasibility studies for the construction of plant and selection of production equipment. As long as the joint venture commences trial operation, we will be responsible for business development, client exploration, branding and distribution, while Xiamen Yuhao will be responsible for human resource and training, production management and, quality and cost control. Both parties shall share the expenses and interests in connection with the operation of this joint venture proportionate to the respective equity investment. We currently do not intend to share our proprietary formulae with Xiamen Yuhao nor the joint venture in Vietnam, and we do not expect the production to be carried out by this joint venture will require our proprietary know-how and techniques. As of the Latest Practicable Date, we have completed the preparation work for the construction of the Vietnam plant, including the selection of customized production equipment but the construction work has yet commenced.

We believe the current use of proceeds in connection with self-owned production lines is well planned and reasonable, on the basis that (i) given our insecticides and repellents products are subject to seasonal fluctuation, imprudent addition of production lines or equipment for such products may lead to an unnecessary increase of costs as well as idle capacity during the low seasons; (ii) with respect to our toilet cleaner and disinfectant products, while we plan to use part of the proceeds to be received from the Global Offering to increase our in-house production capacity for toilet cleaners, the construction of production lines for toilet cleaner and disinfectant products requires certain licenses and compliance with certain strict environmental requirements and safety standards, which result in additional costs and time if more production lines or equipment are set up; and (iii) overall, expanding production lines and adding equipment will result in additional cost in connection with procurement, logistics, inventory storage and others. Accordingly, our current plan of the expansion and upgrade of production lines is well scheduled based on a balanced consideration of various factors including our development strategies, estimated market demands, anticipated production capacity as well as costs for each product categories, so as to achieve efficiency and flexibility for both of our in-house and outsourced production arrangements.

RAW MATERIALS, PACKAGING MATERIALS AND SUPPLIERS

Raw Materials

Our raw materials primarily consist of chemicals and packaging materials. For the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, the total costs of our raw materials amounted to RMB256.5 million, RMB238.0 million, RMB242.3 million, RMB220.7 million and RMB285.5 million, respectively, which accounted for 29.7%, 28.1%, 30.9%, 31.0% and 34.2% of our total cost of sales, respectively.

We generally procure raw materials through our centralized procurement center that oversees the entire procurement process. The procurement center supervises different procurement teams that are responsible for the procurement of different types of raw materials. Most of our raw materials are readily available in China. For key raw materials, we collaborate with multiple suppliers to reduce the risks associated therewith. We maintain long-term business relationships with key suppliers and enter into strategic agreements with certain of these key suppliers based on quality, cost, service and technology.

We also import certain of our raw materials from Japan and Germany in the case that imported raw materials have significant competitive advantage over domestically available raw materials. We do not engage in hedging using derivative instruments related to the risk exposures in connection with our raw materials. We have not experienced any shortage of raw materials or quality issues with our raw materials during the Track Record Period that materially affected our operations.

Chemicals

Major chemicals used in our production include solvent oils, fragrances, meperfluthrin, and dimefluthrin. For the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, the total costs of our chemicals amounted to RMB129.6 million, RMB105.5 million, RMB102.0 million, RMB92.9 million and RMB123.1 million, respectively, which accounted for 15.0%, 12.5%, 13.0%, 13.0% and 14.8% of our total cost of sales, respectively.

Packaging Materials

Our product packaging is important in maintaining our brand image. Our packaging materials primarily consist of cardboard boxes and PE and PET bottles. We mainly source packaging materials from domestic independent third party suppliers which allows us to strategically alter the amount of packaging materials sourced in accordance with the price level to optimize packaging material cost. For the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, the total costs of our packaging materials amounted to RMB126.9 million, RMB132.5 million, RMB140.4 million, RMB127.9 million and RMB162.4 million, respectively, which accounted for 14.7%, 15.6%, 17.9%, 17.9% and 19.4% of our total cost of sales, respectively.

Suppliers

We have established a dedicated procurement team at our headquarters to implement centralized purchase system for all purchase orders. We carefully select our suppliers by evaluating their overall track record, financial strengths, reliability and competitiveness, stability of supply, quality control measures, and reasonableness of price as well as logistic arrangements. Having met our selection criteria, the supplier will become our qualified suppliers.

We typically enter into one of two types of purchase agreements with our suppliers depending on the type of raw material purchased. For the supply of key raw materials including chemicals such as disinfectant solutions, and packaging materials such as cardboard boxes, PE and PET bottles, we generally enter into strategic cooperative agreements with our key suppliers, which are typically for a term of three years. We believe such strategic arrangements help strengthen the business relationships with our key raw material suppliers and further secure sufficient supplies of our raw materials. We also enter into annual purchase agreements with other suppliers for general supplies at market prices on a purchase order basis, such as solvent oils, accessory ingredients, heaters, and plastic bubble wrap packaging. Both our strategic cooperative agreements and annual purchase agreements contain industry customary contractual terms, setting out the parties' respective obligations regarding quality control, product inspection and indemnity, confidentiality, compliance with laws, dispute resolutions, anti-bribery provisions and etc. Besides the above terms, the strategic cooperative agreements we entered into with our key suppliers also contain suppliers' undertaking to offer preferential/competitive prices, priority of supply and to share market intelligence in raw material markets, and our undertaking for priority cooperation on equal terms and sharing of market intelligence in our industry. Since our raw material and packaging material purchases are made on a purchase order basis, we specify the product type, unit price, quantity, delivery timeline and other items in each purchase order we send to our suppliers.

As we believe that stringent product quality and safety standards are at the core of our value, we closely communicate with and monitor our suppliers and require all raw materials provided by them to meet our stringent internal and the relevant national and international quality standards. We require our suppliers to comply with all applicable laws and regulations and inspect their licenses, certifications and other accreditation. For certain of our raw materials, especially chemicals, we generally conduct sample testing on each batch delivered to us to ensure that our suppliers comply with our quality control standards and specifications. We also carry out on-site inspections on our major suppliers periodically. Our quality control system covers from purchase order placing stage, to before-delivery inspection, and to laboratory test. We further utilize our ERP system to manage resource planning effectively and efficiently. We carefully evaluate our suppliers periodically based on a range of factors, including their quality and on-time delivery. In addition, we have undertaken other quality control measures for raw materials. See "– Product Safety and Quality Control" for more details. During the Track Record Period, we did not have any material disputes with our suppliers.

During the Track Record Period, we did not experience any shortage or delay in the supply of our raw materials that materially affected our operations. We have contingency measures in place when suppliers fail to meet our demands including requesting suppliers to increase input of equipment and manpower, utilize production capacity of other suppliers, simplify procurement procedures, require suppliers to prepare sufficient raw material in advance and prioritize production of our products or use other faster forms of delivery from other suppliers.

Our suppliers grant us payment terms that vary depending on a number of factors including our relationship with the suppliers, the size of the transactions and the types of raw materials purchased. Our suppliers generally provide us with credit terms of 60 days for chemicals and 45 days for packaging materials, and we usually settle our trade payables by bank transfers.

Some of our suppliers enter into supplier financing arrangements for invoices they render to us in connection with the supply of raw materials and other purchases made by us. Our suppliers enter into these financing arrangements with different financing providers in order for them to be paid earlier, by discounting their trade receivables with financing providers. During the Track Record Period, six of our suppliers obtained supplier financing from Baokai Daorong. Our purchases from these suppliers who have obtained supplier financing from Baokai Daorong were RMB118.0 million, RMB115.8 million, RMB67.9 million and RMB61.8 million, respectively, for the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2020. Upon requests of our suppliers, we recommended various financing options to our suppliers which involve Baokai Daorong and other independent third party financing service providers. However, Baokai Daorong did not refer any supplier to us during the Track Record Period. We do not enter into any contractual agreements with Baokai Daorong and our suppliers for the supplier financing. We do not receive from, or pay to, Baokai Daorong, any fees in connection with their provision of financing to suppliers. Even with supplier financing arrangements in place, we settle supplier invoices in accordance with our payment obligations under the relevant purchase or service agreements. To the best knowledge of our Directors, the terms of the financing provided by Baokai Daorong to our suppliers were comparable to those provided by other financial service providers during the Track Record Period. Some of our suppliers have obtained financing from independent third-party financial service providers during the Track Record Period, and our suppliers are not required to sell to our Group with the financing obtained from Baokai Daorong. During the Track Record Period, Baokai Daorong has confirmed to us that a total of RMB77.9 million, RMB114.4 million, RMB34.7 million and RMB20.9 million of financing was obtained by our suppliers under this arrangement. The outstanding amount due to Baokai Daorong from our suppliers will be settled in accordance to the contractual agreements entered into between Baokai Daorong and the suppliers.

For the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2020, our purchase from our five largest suppliers accounted for 44.5%, 39.6%, 47.0% and 51.0% of our total purchases, respectively, and purchase from our largest supplier, Liby Group, accounted for 20.8%, 15.8%, 29.1% and 25.3% of our total purchases, respectively. Other than Liby Group, four of our five largest suppliers during the Track Record Period are independent third parties.

We have maintained long-term and stable relationships with our suppliers. For our five largest suppliers during the Track Record Period, we had business relationships with these suppliers on average of approximately eight years. Other than Liby Group, none of our Directors, their respective associates or any Shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest suppliers during the Track Record Period.

During the Track Record Period, Liby Group was our largest customer as we sold our products to Liby Group, and was our largest supplier as we outsourced the production of certain of our products to Liby Group and Liby Group provided certain ancillary services, such as sales support services and management of warehouse services, to us. For further details on Liby Group, please refer to the sections headed "Relationship with Our Controlling Shareholders" and "Connected Transactions."

The following tables set forth certain information for our five largest suppliers during the Track Record Period.

For the year ended December 31, 2017

Supplier	Supplier type	Background	Purchased amount	% of total purchases	Products/ service provided	Relationship with the Company	Credit terms from invoice date
			(RMB'000)				
Liby Group	Manufacturer	A leading enterprise of the Chinese daily chemical industry with headquarters in Guangdong province.	191,223	20.8	84 disinfectant, toilet cleaning products	Related-party	30 days
Supplier A	Manufacturer	An aerosol and original pesticide manufacturer based in Guangdong province.	67,606	7.3	Aerosol	Third-party	20 days
Supplier B	Manufacturer	A original pesticide manufacturer based in Jiangsu province.	63,318	6.9	Pesticide chemicals	Third-party	30 days
Supplier C	Manufacturer	A company based in Shandong province.	48,481	5.3	Aerosol, Mosquito coils	Third-party	20 days or 30 days depending on the products
Supplier D	Manufacturer	A company based in Anhui province.	38,508	4.2	Mosquito coils	Third-party	30 days

For the year ended December 31, 2018

Supplier	Supplier type	Background	Purchased amount	% of total purchases	Products/ service provided	Relationship with the Company	Credit terms from invoice date
			(RMB'000)				
Liby Group	Manufacturer	A leading enterprise of the Chinese daily chemical industry with headquarters in Guangdong province.	151,969	15.8	84 disinfectant, toilet cleaning products	Related-party	30 days
Supplier B	Manufacturer	A pesticide chemicals manufacturer based in Jiangsu province.	79,132	8.2	Pesticide chemicals	Third-party	60 days
Supplier A	Manufacturer	An aerosol manufacturer based in Guangdong province.	53,297	5.5	Aerosol	Third-party	20 days
Supplier C	Manufacturer	An aerosol and mosquito repellent manufacture based in Shandong province.	50,694	5.3	Aerosol, Mosquito coils	Third-party	20 days or 30 days depending on the products
Supplier E	Manufacturer	A mosquito repellent manufacture based in Sichuan province.	46,090	4.8	Mosquito coils	Third-party	40 days

For the year ended December 31, 2019

Supplier	Supplier type	Background	Purchased amount	% of total purchases	Products/ service provided	Relationship with the Company	Credit terms from invoice date
			(RMB'000)				
Liby Group	Manufacturer	A leading enterprise of the Chinese daily chemical industry with headquarters in Guangdong province.	206,939	29.1	84 disinfectant, toilet cleaning products	Related-party	30 days

Supplier	Supplier type	Background	Purchased amount	% of total purchases	Products/ service provided	Relationship with the Company	Credit terms from invoice date
			(RMB'000)				
Supplier F	Manufacturer	An aerosol manufacturer based in Guangdong province.	38,984	5.5	Aerosol	Third-party	20 days
Supplier B	Manufacturer	A pesticide chemicals manufacturer based in Jiangsu province.	34,812	4.9	Pesticide chemicals	Third-party	30 days
Supplier C	Manufacturer	An aerosol and mosquito repellent manufacture based in Shandong province.	29,377	4.1	Aerosol, Mosquito coils	Third-party	20 days or 30 days depending on the products
Supplier G	Manufacturer	A mosquito repellent manufacture based in Guangxi province.	23,942	3.4	Mosquito coils	Third-party	30 days

For the nine months ended September 30, 2020

Supplier	Supplier type	Background	Purchased amount	% of total purchases	Products/ service provided	Relationship with the Company	Credit terms from invoice date
			(RMB'000)				
Liby Group	Manufacturer	A leading enterprise of the Chinese daily chemical industry with headquarters in Guangdong province.	165,959	25.3	84 disinfectant, toilet cleaning products	Related-party	30 days
Supplier B	Manufacturer	A pesticide chemicals manufacturer based in Jiangsu province.	51,762	7.9	Pesticide chemicals	Third-party	60 days
Supplier F	Manufacturer	An aerosol manufacturer based in Guangdong province.	48,875	7.4	Aerosol	Third-party	20 days

Supplier	Supplier type	Background	Purchased amount	% of total purchases	Products/ service provided	Relationship with the Company	Credit terms from invoice date
			(RMB'000)				
Supplier C	Manufacturer	An aerosol and mosquito repellent manufacture based in Shandong province.	46,089	7.0	Aerosol, Mosquito coils	Third-party	20 days or 30 days depending on the products
Supplier H	Manufacturer	A fragrance raw materials manufacture based in Jiangxi province.	22,180	3.4	Mosquito coils	Third-party	30 days

PRODUCT SAFETY AND QUALITY CONTROL

Our products are mostly used in common household settings and may come into direct contact with our customers. As such, we implement stringent product safety and quality control standards and measures throughout our entire product processing processes, covering raw material supply chains, logistics, product processing, inventory and sales channels, to ensure the full safety and high quality of our products. For example, as controlled chemicals are used in the manufacturing of certain products, we inspect our products for their efficacy and safety and conduct composition and chemical residual tests on randomly selected samples for every batch of finished products. If a sample fails to pass our tests, the entire batch of the products will not be shipped and we will conduct further inspection and evaluation according to our internal procedures.

Our commitment to high quality and reliability helps strengthen the recognition of our brand. As of the Latest Practicable Date, we had a quality control workforce of 41 personnel. Our quality control team is equipped with advanced inspection instruments for higher testing capabilities to ensure product quality and safety. Our quality control department is responsible for formulating, managing and supervising our quality control system. As a result of our commitment to stringent quality control, during the Track Record Period and up to the Latest Practicable Date, we did not, due to material product quality issues, (i) receive fines, product recall orders or other penalties from the PRC Government or other regulatory bodies, (ii) receive any material products return requests from our distributors, key accounts or customers or (iii) receive any material complaints from consumers.

Quality Control of Product Development

Our quality control begins at the initial stage of product development. Our quality control department works with our research and development team closely to evaluate the effectiveness of each formula in accordance with the relevant laws and regulations and industry standards. We produce samples based on the tested formula and prepare internal reports setting out the details of experiment results to help evaluate the effectiveness of such formula.

Raw Material Quality Control

We have adopted and maintain stringent control over the selection of suppliers and only purchase raw materials from accredited suppliers who have passed our quality and reliability assessment. When raw materials are delivered to our warehouse, our quality control personnel check to ensure that the quantity and quality of the raw materials meet our specifications, before they are accepted. We also perform sample tests to ensure that the raw materials and packaging materials are up to our specifications. We closely communicate with and monitor our suppliers and require all our raw materials provided by them to meet our stringent internal and relevant national/international standards. We also conduct site visits to our suppliers from time to time. In the event that the raw materials supplied to us do not satisfy our quality standards, we are entitled to return them to our suppliers.

Production Quality Control

We strictly follow all relevant industry standards for the production of our products, including national and international standards and our internal quality standards. Our Panyu Plant and Anfu Plant have been accredited with ISO 9001, a standard and guideline relating to quality management systems, and represents an international consensus on good quality management practices. We conduct quality checks at key control points of our production process throughout the entire production process in order to ensure that the production process is operating properly and that there is no contamination or impurity which could affect our products. We also conduct comprehensive production process inspections throughout the entire production process to ensure that all of our production equipment and machinery satisfy our internal production guidelines, quality and safety standards and other standards set by the relevant authorities.

Finished Products Quality Control

We have in-house testing procedures at our production facilities for the inspection of our finished products. Sample tests are also conducted on products processed by our third-party manufacturers at our warehouses before products being shipped for delivery. Our finished products are packaged and stored at our warehouses before they are delivered to our customers. Prior to delivery, our in-house quality assurance team is responsible for conducting sample checks for every batch of finished products. Additionally, safety measures are in place at our warehouses to minimize fire hazards, water damage and other similar risks to our finished products.

During the Track Record Period, in the 126 rounds of sampling inspections carried out by the state product quality inspection departments at different levels on our products, we achieved a 100% qualified rate. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any complaints on us or our products from our customers which had caused a material adverse impact on our business or our reputation.

After Sales Services

Our distributors generally cannot return our products after they have accepted delivery, except under certain circumstances, such as when products are defective, and do not meet the relevant national and industry standards, while a small number of key account clients are allowed to return un-sold household insecticides and repellents products when the summer months end due to their superior bargaining powers. During the Track Record Period, there were no material product returns from our customers, which reflects the quality and generally strong consumer demand for our products. As a result of our high-quality control standards and management system, we have managed to maintain a relatively low product return rate. For each of the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, the product return rate of our products was approximately 1.3%, 1.8%, 2.4% and 0.5%, respectively. We have a dedicated team of customer service personnel and maintain a customer service hotline to ensure a timely response to all customer concerns, which we believe helps us reinforce our high-quality control standards to consumers and instills confidence in our products. Our customer service team keeps records of all inquiries, feedback and complaints, and the results of any investigation or resolution measures. We have also established relevant product recall procedures.

During the Track Record Period and up to the Latest Practicable Date, we did not, due to material product quality issues, (i) receive fines, product recall orders or other penalties from the PRC government or other regulatory bodies or (ii) receive any material products return requests or material complaints from our customers.

According to the applicable PRC laws and regulations, product manufacturers are responsible for all product liabilities and claims due to product defects, subject to a few exemptions. For details on the applicable laws and regulations on product liabilities, please refer to "Regulatory Overview – Regulations in relation to Product Quality." We currently maintain insurance policies to cover potential product liabilities and we believe our insurance coverage is adequate to cover damages which may arise from potential claims, given that (i) our coverage amount is in line with industry practices; and (ii) we have not experienced any product liability claims during the Track Record Period and up to the Latest Practicable Date.

INVENTORY MANAGEMENT

Our inventories primarily consist of raw materials, packaging materials, semi-finished products and finished products. We use our ERP system to track the in-coming and out-going of inventory. This system enables us to monitor our levels of inventory on a timely basis in order to maintain sufficient levels of raw materials and finished products. For the years ended

December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2020, our inventory turnover days were 144.4, 183.3, 197.1 and 87.5, respectively. We procure raw materials and plan our production based on our sales forecasts as well as actual sales activities and purchase orders available from our ERP system. We usually maintain a total of 15 days' worth of main raw materials that are commodities and 30 days' worth of other raw materials as a safety inventory level, which is the estimated amount of raw materials we consider necessary to meet any increase in demand for products, and to ensure that there are no disruptions in supply of products. This safety inventory level is estimated based on our historical sales and future projections. Once the finished products are produced, we endeavor to deliver them to our customers at the earliest possible time. We believe that we manage our inventory at a reasonable level based on historical sales and management's assessment, which minimizes storage space, carrying costs, and enhances working capital efficiency. We also monitor the inventory levels of our distributors through review of their monthly sales reports and regular communication with the responsible personnel.

We primarily use our self-operated warehouse at Anfu Plant to meet our storage needs. As of the Latest Practicable Date, our warehouse at Anfu plant has a storage capacity of 1.95 million units. We also enter into ancillary service agreement with Liby Group which also provides warehouse services. Our warehouse service arrangements with Liby Group enable us to maintain a low level of capital investment in maintaining and operating self-operated warehouses and allow us to deliver our products to our customers efficiently and economically. For more details, please refer to the section headed "Connected Transactions" in this prospectus.

DELIVERY AND TRANSPORTATION

We have a comprehensive and effective transportation system in place which allows us to provide fast and efficient delivery services. During the Track Record Period, we had outsourced a majority of our product transportation to independent third party logistics service providers. We usually enter into strategic logistic service agreements with our third party logistics service providers for a period of two years. From time to time we also engage other third party logistic service providers to provide supplementary logistics services other than our strategic logistic service providers. We assess our logistics service providers based on frequency of on-time delivery, transportation capability, distribution network and overall service quality.

During the Track Record Period and as of the Latest Practicable Date, we had not experienced any significant delay or poor handling of goods that materially and adversely affected our business operations.

RESEARCH, DEVELOPMENT AND PRODUCT UPGRADES

Research and Development Team

We have successfully expanded our product offerings through continuous research and product development efforts. Our product development process focuses on enhancing and expanding our existing product lines, including quality improvements and introduction of new formulas, as well as identifying new products in response to customer demand.

As of September 30, 2020, we had an in-house staff of 26 employees in our core research and development team dedicated to product development and technology advancement. Our research and development department covers research development of household cleaning, household insecticides and repellents, air care, personal care, pet care products as well as research development of packaging technologies and production process technology, and studies on regulations and intellectual property. Approximately 34.6% of our core research and development personnel holds master's degrees. We have a dedicated research and development team responsible for expanding the range and improving the quality of our products and efficiency of our production process. We believe that a strong dedication to technology is critical in the household care, personal care and pet care industry and that our research and development capabilities will enable us to improve our product portfolio, product quality, production efficiency and in turn enhance our profitability and help seize new opportunities. Our research and development team is primarily responsible for product research and development including product formulation and packaging to develop high-quality new products that meet consumer demands, as well as to improve the production techniques and processes.

Key Features of Research and Development

- ***Developments in fundamental technologies.*** We constantly seek developments in household, personal and pet care products. The fundamental research and formulation development departments we utilize are equipped with a variety of top-grade analyzing and testing equipment such as spectrometers, particle size analyzers and high-end skin testing equipment that enable researchers to develop new product formulations after conducting a series of raw material, safety, competing product, consumer sensory and product efficacy analysis.

- ***Continuous launch of new products.*** As a result of our strong research and development capabilities, we are able to continuously develop and launch industry leading products. We have a track record of constantly launching successful new products that help drive our revenue growth. We launched 12, 25, 20 and 73 new products in 2017, 2018, 2019 and the nine months ended September 30, 2020, respectively. During the Track Record Period, we successfully launched products such as antibacterial effervescent tablets, antibacterial sachets, and waterless hand sanitizer. As of the Latest Practicable Date, we had 33 household cleaning, 67 household insecticides and repellents, 24 air care, 19 personal care and 33 pet care upgraded or new products in the research and development pipeline.

- ***Optimization of technical process.*** We constantly seek developments in the development and manufacturing of household care, personal care and pet care products and traditional technical process and strive to enhance product quality, ensure cost efficiency, achieve speed to market and promote our overall profitability.

R&D platform with Combined Internal and External Resources

We have four functional laboratories and regularly exchange ideas and experiences with Liby Group's research and development teams to enhance our research and development capabilities and to share knowledge across categories. We exchanged ideas with Liby Group's R&D team from time to time on the recent market intelligence and trends in product development and production techniques. Based on the generic nature of such idea exchanges, there are no intellectual property rights arising from such discussions. In addition, to ensure that we stay abreast of the latest technological developments and maintain our global leadership in research and development, we have extensive technical collaborations with a number of domestic and international companies or research institutes with strong R&D capabilities, which further strengthens our product development capabilities. We believe these collaborations provide us with insights into industry trends and emerging technologies, enabling us to focus more effectively on our current and future research and development.

We entered into a "five-year cooperation plan" with Jiangsu Yangnong Chemical (江蘇揚農化工股份有限公司), a subsidiary of Sinochem International in 2019 to jointly promote the application and development of new insecticidal and mosquito repellent active ingredients. During our cooperation, we jointly carried out the development of meperfluthrin and set a benchmark for efficacy in the industry. We have also entered into various cooperation agreements with KINCHO, a leading household insecticide company in Japan, including a five-year cooperation agreement in 2015. Based on these agreements, we are the first to successfully launch several household insecticides and repellents products in the PRC, including but not limited to our Superb Mosquito Proof Net, anti-mite sachet and an upgraded version of our Superb Tornado Proof Mat product. In addition, we have entered into a cooperation agreement with Lion Chemicals Co., Ltd. (日本獅子化學株式會社) in Japan, under which we have developed the first 60-day long-release space antibacterial and deodorizing product in China which is suitable for a variety of indoor settings. We believe such collaboration helps us stay on top of industry trends and provide insights into new production processes and technologies, enabling us to focus our current and future research and development efforts more effectively.

Considering our internal and external R&D resources described above, we believe we have the ability to independently develop new products without the assistance from Liby Group. As a testament to our independent R&D capabilities, our new products launched during the Track Record Period and pipeline new products/product upgrades were developed by us or through collaboration with an external third-party institution, without the assistance of Liby Group.

INFORMATION TECHNOLOGY SYSTEMS

We believe that high levels of automation and technology are essential to maintain our competitive position and support our strategic objectives. Our advanced information technology systems and infrastructure empower us in planning and managing our sales management, material procurement, production, financial reporting as well as human resources, thereby both improving our overall operational efficiency and sustaining our business growth. Within our fully integrated information system, the following solutions are the most critical to our success:

- ***ERP system –*** We utilize this enterprise resource planning system to retrieve and analyze our operational data to aid faster decision-making and boost productivity and profitability. The ERP system provides outstanding industrial solutions covering various aspects of our operations, including manufacturing, sales, financial accounting, enterprise performance management and human capital management.

- ***LIMS system –*** We employ this laboratory information management system to support each and every aspect of our R&D in our daily operations. This system collects and records valuable data on a real-time basis in each stage of our research and development by establishing raw material databases and integrating with laboratory instruments. Our LIMS system can also sort and categorize all research data and results which we believe improves the usability of our research data and in turn increases our research efficiency. All data collected by our LIMS system are highly integrated with our ERP system for further data consolidation, analysis and information reporting.

- ***Cloud working system –*** We employ this system to support online remote working during the outbreak of COVID-19. During the outbreak, we were able to achieve remote working for our office staff.

- ***Big data system –*** We applied big data analytics in various aspects of our business operations, such as sales and marketing to analyze consumer data cumulated from our online channels. We use the results to refine and optimize our sales and marketing efforts for both our online and offline businesses.

- ***WMS system –*** We utilize a Warehouse Management System ("**WMS system**") to improve the operational efficiency and space utilization of our warehouses, and allow us to manage inventory storage through our ERP system; by combining this WMS system with modern logistics technology we are able to comprehensively improve our warehousing and logistics transportation management capabilities.

- ***OMS system –*** We operate an effective Order Management System ("**OMS system**"), which serves as a centralized place to manage orders from all online sales channels. With a unified order management system, we perform a number of key function, such as managing customer information and interactions, accessing sales data and managing inventory level – all from one system. Our OMS system is also connected with a number of external platforms, such as JD.com and Cainiao.

We plan to improve our information technology systems further to keep up with the growth of our business. We believe such improved systems will strengthen supply chain management as well as improve our ability to develop products that meet the preferences of our customers.

RISK MANAGEMENT

We have in place a set of internal control and risk management procedures to address various potential operational, financial, legal and market risks identified in relation to our operations, including but not limited to procurement management, credit risk, connected party transaction controls, information disclosure controls and monitoring procedures. These risk management policy sets forth procedures to identify, analyze, categorize, mitigate and monitor various risks. Our risk management policy also sets forth the reporting hierarchy of risks identified in our operations. Our Board is responsible for overseeing the overall risk management. After due consideration, our Directors are of the view that our current internal control measures are adequate and effective.

IMPACT OF COVID-19 ON OUR BUSINESS

The COVID-19 outbreak in early 2020 has materially and adversely affected the global economy. In an effort to contain the outbreak, the PRC government has imposed, among others, the following policies: (i) outside of Hubei Province, the Chinese New Year holidays were extended by various local governments for three to seven days, with the workforce resuming work between February 3 and February 10, 2020; and (ii) in Hubei Province, travel restrictions have been gradually imposed in the entire province since January 23, 2020.

Demand for consumer goods was significantly affected due to retail stores being temporarily closed. According to the National Bureau of Statistics, China's total retail sales of consumer goods decreased by 19.0% in the first quarter of 2020, compared with the first quarter of 2019.

The retail industry was affected to various degrees. Traditional sales and distribution channels, such as offline retail shops were temporarily closed. However, supermarkets and hypermarkets were affected less significantly as most of them remained open during the outbreak. E-commerce channels became consumers' first choice for shopping, but the sales growth from such channels was limited, primarily due to difficulties in logistics and distribution.

Resumption of work in China has gradually taken place at locations less affected by the COVID-19 outbreak since February 3, 2020. As of April 10, 2020, according to the Ministry of Industry and Information Technology, 98.6% of industrial enterprises of national scale and over 80% of small and medium enterprises in China had resumed operation. According to CIC, the COVID-19 pandemic has stimulated the demands of disinfectant products. In the future, the demand for disinfectant products will continue to grow due to customers' increasing awareness of hygiene and public health.

Campaign against COVID-19 Outbreak

Since the COVID-19 outbreak in early 2020, we have launched several initiatives to combat COVID-19. We used our strong supply chain capabilities to solve the shortage of raw materials and packaging materials in a short time and quickly organized the production of our disinfection products. We donated and delivered our disinfectant and antibacterial products to over 2,000 designated hospitals in over 300 cities. During the COVID-19 epidemic, we were designated as a National Key Epidemic Prevention Enterprise certified by the Ministry of Industry and Information Technology, and quickly organized resources to help seven self-owned or third party factories obtain qualifications for the production of disinfectant products and resume production, and met the donations and market demand during the epidemic. As such, shortly after the suspension of production since January 21, 2020 due to the Chinese New Year holidays, we resumed our production of disinfectant and household cleaning products on January 29, 2020 while raising production capacity of our 84 disinfectant liquid, from 60 tons per day to 700 tons per day, and our antibacterial sachet, from 400 units per day to 5,000 units per day. We launched 5 antibacterial products within 10 days, including our 84 disinfectant liquid in 450g, 1kg, 2kg and 20kg bottles and 1L antibacterial liquids. During the COVID-19 epidemic, we also conducted education campaigns on epidemic prevention knowledge for consumers, and carried out educational campaigns on disinfectants, sterilization kits, hand sanitizers and household cleaning products.

Our Response to the COVID-19 Outbreak

In line with PRC government guidelines, we have implemented precautionary measures to maintain a hygienic working environment. For example, employees who travelled within China during the Chinese New Year holidays are required to self-quarantine in their homes for 14 days. For employees who are not required to work onsite, we provided alternative means such as work-from-home arrangements, to protect their health and also ensure our smooth business operations during the outbreak. Utilizing our cloud working system, our office staff were able to work remotely from home during the outbreak.

We have implemented health screening procedures for all entrants of our premises, including checking their travel history and whether they have any symptoms associated with COVID-19 and measuring their temperature. We have assembled a pandemic emergency team that is responsible for closely tracking the health status of our employees. In addition, we quickly established a face mask production line to provide our employees a sufficient supply of free face masks as we require all persons to wear face masks when they are working onsite. We also provide personal disinfectant products such as hand sanitizers to our employees. Furthermore, our premises are regularly cleaned every day.

We donated disinfectants and relevant anti-epidemic products in early 2020. In addition, we estimated that we incurred anti-pandemic related expenses of approximately RMB139,000, mainly in connection with the purchases of medical and safety supplies for our employees after our production resumed in February 2020. We believe such amount was insignificant and other than this, we did not incur other material anti-pandemic expenses during the COVID-19.

Impact of COVID-19 on Our Operational Performance

Our Production

Due to the COVID-19 outbreak and the government's relevant control measures, most of our production lines experienced a temporary delay to resuming operations after the public holidays for the Chinese New Year since January 21, 2020. Production of our disinfectant products quickly relaunched since January 29, 2020, which are anti-epidemic supplies and we were designated as a National Key Epidemic Prevention Enterprise certified by the Ministry of Industry and Information Technology. Such key enterprise for combating and preventing pandemic were allowed to resume operations from an earlier date than other enterprises. With respect to remaining products, production was temporarily suspended till late February 2020 for a relatively short period of time ranging from 21 to 30 days. We had fully resumed our production as of February 21, 2020. In order to prevent and control the outbreak, we adjusted our business operations and set up specific plans for resumption of work, our health and safety management system and emergency plans. We currently expect the anti-pandemic related expenses and the donations to be one-off items. In addition, except for a temporary shortage and increase in prices of raw materials mainly for the production of disinfectant and antibacterial products we experienced in February to March 2020, our production costs since the full relaunch have generally been normalized to the same level as in the period immediately prior to the production suspension in January 2020.

With respect to disinfectant and antibacterial products for which we had transitioned the "make-to-order" model since 2019, in anticipation of the upcoming anti-epidemic measures, including the suspension of production, we reallocated resources and scheduled production in advance in early 2020 based on our estimates of purchase orders. With respect to the remaining products for which we had not adopted the "make-to-order" model, we generally maintain the inventory level of products that can support at least one-month of sales. In addition, as it was approaching to the Chinese New Year holidays, we further increased the inventories which is our common practice. As a result, our sales were not materially interrupted by the temporary suspension of our production due to the COVID-19 outbreak.

Operation, Sale and Distribution

Subject to various travel restrictions imposed by local governments in an effort to curb the spread of the COVID-19 pandemic, logistic services to deliver our products to customers were temporarily compromised in February and March 2020, especially in cities of Wuhan, Siping, Urumqi and Ma'anshan. In addition, the delivery of raw materials from our suppliers to us was also adversely affected during such period. Due to the COVID-19 outbreak, we encountered a temporary shortage and increase in prices of raw materials mainly for the production of disinfectant and antibacterial products. Nevertheless, we were able to identify additional suppliers in a timely manner. By the end of March 2020, the supply and prices of our raw materials had been normalized. And the logistic services had generally been resumed to normal by the end of the second quarter of 2020.

As COVID-19 outbreak related travel restrictions have been gradually lifted, the adverse effects of the outbreak on sales and distribution of our products have gradually subsided. As of the Latest Practicable Date, we have not encountered and do not anticipate any material issues in our operations with (i) procurement of raw materials and packaging materials; or (ii) materially late deliveries or failures to fulfil sales orders, or penalties arising thereof, as a result of the COVID-19 outbreak. This is primarily because (i) our major suppliers and customers (including our major distributors) have gradually resumed operations after Chinese New Year; (ii) we were stocked with finished products that were able to support at least one-month of sales to satisfy the orders while our manufacturing facilities were suspended; (iii) our logistics service providers have gradually resumed operations after Chinese New Year; (iv) the Chinese New Year holidays are normally a slow season based on our historical sales records; (v) due to the nature of our products, especially those anti-epidemic products such as sanitizers, our production was subject to various supportive policies by local governments; and (vi) we are not aware that any of our major suppliers or distributors have encountered financial difficulties due to COVID-19 outbreak.

Impacts of COVID-19

Given the facts that our sales during the COVID-19 outbreak were not materially adversely affected and our business operations have been fully resumed since February 2020, our Directors are of the view that the COVID-19 outbreak will have limited adverse impact on our overall operations for the year ending December 31, 2020. In addition, we believe the COVID-19 outbreak did not have a material adverse impact on our business strategies, and we believe that it has not and will not have a material adverse impact on our future business plans. Please refer to the subsection headed "– Our Development Strategies" and the section headed "Future Plans and Use of Proceeds" for details.

As the COVID-19 pandemic continues to spread globally, China's economy may, as a result, be adversely affected though the COVID-19 pandemic has reported to be effectively controlled in China. In the very unlikely event that we are forced to reduce or suspend a substantial part of our business operations due to the COVID-19 pandemic, based on our current operating and financial performance as well as our estimates of the market conditions, we estimate that in the worst case scenario, we would have sufficient cashflow for our business to remain financially viable for at least 72 months from January 2021. Key assumptions for the above include:

- we cease all operations from December 2020 onward, which assumes that from this month onward, we will not earn or incur (a) any revenue and costs in relation to sales activities, (b) any expenses in relation to marketing activities, (c) any expenses in relation to the production of products, and (d) expenses in relation to R&D activities; accordingly, the corresponding tax payments shall also be reduced;

- keep all of our employees and make all their salaries payments;

- make the lease payments;

- make the payments for existing purchases plans for long-term assets;
- our payables and borrowings will continue to be settled when they become due;
- estimate the settlement of trade receivables on a prudent basis by taking into account our historical settlement patterns;
- receive and use our currently unutilized and unrestricted banking facilities when needed;
- receive RMB221.3 million, or HK$266.4 million, representing the 10% of the net proceeds from the Global Offering, and utilize as our working capital and general corporate purpose;
- no additional external financing will be provided during the forecast period; and
- there will be no material changes in the near future that would significantly affect the above-mentioned key assumptions.

The above-mentioned analysis is for illustrative purpose only and our Directors currently assess that the likelihood of such situation is remote. The actual impact from the COVID-19 pandemic will depend on its subsequent development which is uncertain at current stage, and its impact on our Group may be out of our control and beyond our estimate and assessment.

COMPETITION

We are the second largest household cleaning product company in China by retail sales value in 2019, and the largest household insecticides and repellents company in China by retail sales value in 2019, according to CIC. We compete on a product by product basis against similar products of other large and small companies, including well-known PRC and global competitors.

According to CIC, the key barriers to entry in the household chemicals market include, among others, (i) brand recognition and awareness; (ii) coverage of distribution channels; (iii) production technology; (iv) research and development capabilities; (v) supply chain management; and (vi) financial strength.

There are also certain barriers to entry into the household chemicals market in light of regulations currently in place. For example, suppliers are required to obtain certain permits and licenses and are subject to regulatory inspections. New entrants need sufficient resources and stringent procurement, production and quality control and waste disposal procedures in order to meet the regulatory requirements, in addition to the necessary expertise and techniques required to engage in production.

Competition for household chemicals products in the PRC is primarily based on research and development capabilities, price, brand recognition, as well as marketing strategy and branding. We consider large domestic and multi-national companies engaged in the fast-growing household chemicals market, with access to financial resources, ability and experience in product development, a challenge to our Group. Nevertheless, we believe that our well-recognized brands, production capacity, high quality control standards, strong research and development capabilities, extensive distribution network and close relationship with distributors and key accounts distinguish us from our competitors.

PROPERTIES

We occupy certain properties in China in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our production facilities, warehouses and offices.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our interests in land or buildings, for the reason that, as of September 30, 2020, none of our properties has a carrying amount of 15% or more of our consolidated total assets.

Owned Land and Buildings

As of the Latest Practicable Date, we owned properties in Anfu, Jiangxi province in China, with an aggregate area of 55,209.02 sq.m used as production facilities, warehouses, offices and dormitories.

As of the Latest Practicable Date, we had the right to use two parcels of land with a total gross land area of approximately 136,560.4 sq.m.

As of the Latest Practicable Date, our PRC Legal Advisers confirmed that we had obtained all certificates of real estate registration of the above mentioned properties and land use right.

Leased Properties

As of the Latest Practicable Date, we leased six properties with an aggregate gross floor area of approximately 15,396.62 sq.m to support our business activities and operations in China. These leased properties are used as production facilities, offices and warehouses and are leased from the associates of Mr. KX Chen and Mr. KC Chen. These buildings are located in Guangdong Province and Shanghai. There are other alternative premises of comparable rentals, size, furnishing and fittings, and use available for lease from independent third parties if the properties we leased from the associates of Mr. KX Chen and Mr. KC Chen are no longer available. For further details of the leasing arrangements with the associates of Mr. KX Chen and Mr. KC Chen, please refer to the section headed "Connected Transaction – Partially Exempt Continuing Connected Transactions – 1. Property Services Framework Agreement with Mr. KX Chen and Mr. KC Chen" in this prospectus. If we are forced to relocate due to termination or non-renewal of the leasing arrangements with the associates of Mr. KX Chen and Mr. KC Chen, we estimate that the relocation process for offices and production plant will take approximately eight months and six months, respectively, and the cost of relocating for offices and production plant will be approximately RMB9.0 million and RMB5.0 million, respectively, comprising the decoration and refurbishment cost of the new premise and the removal cost in connection with the movable equipments and other assets from the original premise and such amount will be capitalized according to the relevant accounting standards. Therefore, our Directors believe that there will not be any material disruption to the Group's operation and any material adverse effect on the Group's financial performance in the event of relocation.

Pursuant to the applicable PRC laws and regulations, property lease contracts shall be registered with the competent PRC government authorities. As of the Latest Practicable Date, we had not obtained any lease registration for the three properties we leased in China, primarily due to the difficulty of procuring our lessors' cooperation to register such leases. The registration of such leases will require the cooperation of our lessors. We will take all practicable and reasonable steps to ensure that the unregistered leases are registered. Our PRC Legal Advisers have advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under PRC laws, and has also advised that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. If the relevant government authority requires us to make such registration within a specified period and we fail to do so, the estimated total maximum penalty is RMB30,000.

During the Track Record Period, we failed to complete the relevant environmental protection and fire control-related procedures at the premise leased by Panyu Cheerwin due to historical issues in respect of the lack of building ownership certificate of the leased property. We have moved the production lines of Panyu Cheerwin to a new factory in July 2020 where we have obtained all the relevant permits in relation to environmental protection and fire control for our operations at the new factory. The Panyu Environmental Protection Bureau of Guangzhou City, the Panyu Housing and Urban-Rural Development Bureau of Guangzhou City and Panyu Fire and Rescue Bureau of Guangzhou City has confirmed that (i) the relevant authority did not impose any environmental-related and fire control-related penalty on us during the Track Record Period and there was no potential or ongoing litigation, proceeding and complaint made against us; and (ii) as Panyu Cheerwin has relocated to a new premise, the relevant authority would not take any enforcement action against us on our historical non-compliances. Accordingly, based on the aforementioned confirmation from the relevant governmental authorities, our PRC Legal Advisers are of the opinion that the risk of our Group being penalized due to the historical issues of the former leased premise is remote.

INTELLECTUAL PROPERTY

We rely on a combination of trade secret and other intellectual property laws as well as confidentiality agreements with our employees, suppliers, customers and others to protect our intellectual property. As of the Latest Practicable Date, we had 536 licensed and registered trademarks, 146 applications for registered trademarks, 69 patents, 28 applications for patents, 13 copyrights, and five domain names in China. For details of our intellectual property portfolio, see "Further Information about Our Business – Intellectual Property Rights of the Group" in Appendix IV to this prospectus.

We undertake a proactive approach to managing our intellectual property portfolio. Our legal department performs regular monitoring of our intellectual rights. We take action when we are aware of a potential infringement of our intellectual property rights. For instance, we perform routine checks on the public trademark registration platform to ensure our trademarks are not infringed by others.

As of the Latest Practicable Date, our Directors confirmed that, so far as they were aware, there was no material violation or infringement of any intellectual property rights owned by us or by any third parties, and we were not aware of any threatened material proceedings or claims relating to intellectual property rights against us. See "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to adequately protect our intellectual property, which could harm the value of our brands".

INSURANCE

We maintain insurance policies to cover potential product liabilities and potential safety issues relating to our production. In addition, we have purchased a number of insurance policies covering our facilities, machinery, vehicles, equipment, inventories and other assets. We review our insurance policies from time to time for adequacy in the breadth of coverage. Please refer to the section headed "Risk Factors – Risks relating to our Business and Industry – Our insurance coverage may not be sufficient to cover all of our potential losses." for further details. We consider our insurance coverage to be adequate and is standard for our industry. During the Track Record Period and up to the Latest Practicable Date, we had not made, neither had we been the subject of, any insurance claims which are of a material nature to us.

EMPLOYEES

As of September 30, 2020, we had approximately 793 full-time employees, all of whom were based in China. A breakdown of our employees by function as of September 30, 2020 is set forth below:

Function	Number of Employees	Percentage of Total
		(%)
Supply Chain	388	48.9
Sales and Marketing	234	29.5
Technology, Quality and Research and Development(1)	62	7.8
Functional Departments(2)	109	13.8
Total	**793**	**100**

Notes:

(1) Includes, among others, our research and development, quality control and equipment technology personnel;

(2) Includes, among others, our human resources, administrative, finance, information technology and management personnel.

Attracting and retaining qualified employees is important to our success. During the Track Record Period, we recruited our employees primarily through on-campus recruiting programs, advertisements on recruitment websites and headhunters. We are committed to providing fair and equal opportunities in all of our employment practices and have adopted policies and procedures to ensure a fair hiring, selection and promotion process. As part of our retention policy, we provide employees with competitive salaries, insurance benefits and performance-based incentives which are usually determined by the performance of individual employees and the overall performance of our business. During the Track Record Period, we did not experience any major disputes with our employees, and did not encounter any difficulties in recruiting. We do not have any collective bargaining arrangements with our employees.

We have established Cheerwin Academy, an internal training and development facility to emphasize the training of our employees in order to enhance their technical and product knowledge as well as their personal development, job challenge and satisfaction, recognition, work environment, work safety and career advancement. We also regularly provide training to our employees that seek to improve their technical skills or arrange our employees to attend training sessions provided by third-parties. In addition, we provide management skills training opportunities to certain employees to help them transition into a management role. To keep our technical personnel abreast of the latest technological development in the industry, we organize trainings for them with industry experts.

During the Track Record Period, we did not make full social insurance and housing provident fund contributions for certain employees. Our non-compliance was primarily due to our large labor force and relatively high mobility, the lack of experience of our human resources personnel who did not fully understand the relevant requirements of the relevant PRC laws and regulations, and the preference of many of our employees not to contribute to such funds.

Our PRC Legal Advisers have advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue charge of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. Our PRC Legal Advisers have further advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

Our Directors believe that such non-compliance would not have a material and adverse effect on our business and results of operations, considering that: (i) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay material shortfalls or the penalties with respect to social insurance and housing provident funds; (ii) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date; (iii) we were not aware of any material employee complaints nor were involved in any material labor disputes with our employees with respect to social insurance and housing provident funds; (iv) we have made provisions of RMB1.07 million, RMB1.21 million, RMB1.73 million and RMB0.56 million for the social insurance and housing provident fund contribution shortfall in 2017, 2018, 2019 and the nine months ended September 30, 2020, respectively.

We have started to implement our policy on the payment of social insurance and housing provident fund contribution for employees in compliance with relevant PRC laws and regulations. We actively encourage and make such contributions for our employees. Despite our efforts, we were unable to make full contributions of social insurance and housing provident fund for our employees as of the Latest Practicable Date because some employees did not cooperate and chose to not to contribute to such funds. We intend to fully comply with the relevant PRC laws and regulations for social insurance and housing provident funds by July 2021.

In order to enhance our corporate governance and to prevent future potential non-compliance incidents, we have designated our legal department and accounting department to actively monitor our overall compliance status with the relevant PRC social insurance laws and regulations, and implement additional internal policies and measures if necessary. We have also designated our human resources department to actively monitor the status of payment of social insurance and housing provident fund (including preparing and maintaining written records with respect to the payment status for the social insurance and housing provident fund, preparing payment plans).

ENVIRONMENTAL, OCCUPATIONAL, HEALTH AND SAFETY

We are subject to environmental protection laws and regulations promulgated by the governments in the jurisdictions in which we operate our business. See "Regulatory Overview." In an effort to ensure the safety of our employees, we implement operational procedures and safety standards for our production process, including fire safety, warehouse safety, work-related injuries, electricity safety and emergency and evacuation procedures. We provide our employees with occupational safety education and training to enhance their awareness of safety issues. We also carry out equipment maintenance on a regular basis to ensure their smooth and safe operation. We have implemented stringent waste treatment procedures in our manufacturing facilities.

Environmental Protection

We recognize the importance of environmental protection and sustainability, and our commitment to environmental protection and sustainability was recognized by GB/T24001-2016/ISO14001:2015 – Environmental Management System Certification and GB/T23331-2012 – Energy Management System Certification. We differentiate ourselves from competitors by introducing natural and environmental friendly chemicals. In 2017, 10 types of products under our Vewin brand were recognized as the first batch of green design products in 2017 by the General Office of the Ministry of Industry and Information Technology (工業和信息化部辦公廳). 13 of our household care products have been granted the certifications of China Environmental Labeling. In 2019, we participated in setting standards for the Group Standard – Green Design Products Evaluation Specifications – Household Hygiene and Insecticide Products – Group Standard (《綠色設計產品評價技術規範家用衛生殺蟲用品》) with China Light Industry Council (輕工業聯合會).

During the Track Record Period and up to the Latest Practicable Date, we had produced the following key pollutants, which have been dealt with through the implementation of corresponding environmental measures:

Management of Sewage

We have installed sewage treatment facilities at our production plants to treat all sewage generated during the production process of our products until its quality reaches the national standard and the relevant standards specified by our sewage treatment contractors which will handle treated sewage for further treatment and discharge. Our sewage treatment stations are equipped with 24-hour online monitoring systems, which monitor the chemical oxygen demand (COD), ammonia nitrogen (NH3-N), pH and sewage flow of the discharged sewage, automatically analyze the monitoring records and submit the records to the reporting platform operated by the provincial environmental regulatory authority. In addition, we have constructed a reservoir to ensure that there is minimal discharge of sewage in the event of accidents.

Management of Waste Gas

Waste gas is generated during the production process. We adopt the following measures to minimize the impact of the waste gas.

- Tail gas in storage tank or measuring tank of certain chemicals including non-methane hydrocarbon is permitted to be emitted only after absorption, combustion or purification in the absorption tower;

- Gas generated during production primarily contains sulfur dioxide (SO_2), nitrogen oxides (NO_X) and fine particles. Such gas is absorbed or purified to ensure its concentration and emission rate meets the relevant emission standard of air pollutants; and pipes and equipment are tightly welded and more trainings are provided to the staff who are responsible for operating the equipment to perform annual leakage detection and repair on the pipes and equipment in order to minimize fugitive emission.

Management of Solid Waste

We generated solid waste during our production processes. Some of them are potentially hazardous, including the steel barrels used to contain meperfluthrin and dimefluthrin. We generated around 3,000 such barrels per year. All hazardous wastes were centrally and properly stored in a dedicated storage area with epoxy coated anti-leakage flooring, and collected and processed by qualified contractors. The major non-hazardous waste from our production process includes slag, sludge, and domestic solid waste. We generated around 100 tons slag, 97 tons sludge, and 104 tons domestic solid waste per year. The domestic solid waste was collected and processed by the city sanitation department. Other non-hazardous wastes were collected and processed by qualified contractors.

Sustainable Use of Packaging Materials

Our packaging materials are mainly cardboard boxes and PE and PET bottles with specific capacities. During the design process, we take into account the impacts of the packaging materials on human health and the environment, and prefer non-toxic, harmless, easily degradable or easily recyclable materials. For instance, we choose cardboard boxes which may be reused and composted. Our PE and PET bottles are also qualified as types 1, 2 or 4 recyclable plastic in China. The packaging materials are used reasonably to avoid excessive packaging. Where possible, we try to reuse or recycle the used packaging materials. For example, we set binding requirements for our suppliers with regard to the use of reclaimed materials in the production of our packaging materials.

Pollutant Discharge, Water and Energy Consumption

We strictly adheres to the standards, metric and targets set or issued by the relevant PRC environment-related laws and regulations in assessing and managing our impacts on the environment as a result of our business activities, such as the consumption or use of potentially hazardous or harmful substances in our production. During the Track Record Period and up to the Latest Practicable Date, the discharge of each of the key pollutants generated during our production process had remained within prescribed regulatory limits and we believe that our business operations do not have a material adverse impact on the environment. Our production facilities in the PRC are also subject to regular inspections by PRC environmental regulatory authorities.

Anfu Plant

Our Anfu plant has obtained all the environmental licenses and permits requisite for its operations including the Pollutant Discharge Registration Receipt of Stationary Pollution Sources. According to the Certificates issued by the Anfu Ecological Environment Bureau on July 23, 2020 and December 31, 2020, Anfu plant has strictly complied with and has no violation of the relevant laws and regulations on environmental protection during its production and operation activities.

The following table illustrates the pollutants discharge at our Anfu plant and the relevant permitted level during the Track Record Period:

		Actual discharge			
	Permitted annual discharge	For the year ended December 31,			For the nine months ended September 30,
		2017	2018	2019	2020
Air pollutants					
SO_2 (二氧化硫) (t/a)	7.65[(1)]	0.05	0.03	0.10	1.42
NOx (氮氧化物) (t/a)	4.59[(1)]	0.96	1.32	3.07	1.98

Water pollutants

The relevant government authorities have not set the permitted annual discharge of water pollutants or record-keeping requirements for our Anfu plant.

	Permitted concentration	Actual concentration, tested in			
		2017	2018	2019	2020
Air pollutants					
Particulates from the boiler tail gas (鍋爐煙氣顆粒物) (mg/m^3)	50(2)	3.8	3.7	36.3(3)	37.6(3)
Particulates generated during production (廢氣顆粒物) (mg/m^3)	120(2)	4.2	4.0	49.9(3)	22.0(3)
SO_2 (二氧化硫) (mg/m^3)	300(2)	59	3	<10	62
NOx (氮氧化物) (mg/m^3)	300(2)	300	101	280	87
Water pollutants					
COD (mg/L)	300(2)	42	11	31.6	87.3
Ammonia nitrogen (氨氮) (mg/L)	30(2)	0.26	0.26	6.9	0.38

Note:

(1) According to the Environmental Impact Assessment Report.

(2) According to the national standards (GB8978-96, GB13271-2014, GB16297-1996).

(3) Our particulates filtering system was in the early phase of operation in 2017 and 2018, and achieved stable operation starting from 2019. The increase of particulates concentration in 2019 and 2020, as compared to 2017 and 2018, was due to the equipment adjustment and normal wear-and-tear. We have been conducting regular maintenance of our filtering system to ensure that the particulates discharge is within the regulatory permitted level.

The following table illustrates the water and energy consumption at our Anfu plant during the Track Record Period:

	For the year ended December 31,			For the nine months ended September 30,
	2017	2018	2019	2020
Consolidated energy consumption (ton of standard coal/ton of product)	0.529	0.434	0.482	0.688
Fresh water consumption (ton of water/ton of product)	7.0	8.7	12.0	14.7

Panyu Plant

Our Panyu plant has obtained all the environmental licenses and permits requisite for its operations, including the Pollutant Discharge Registration Receipt of Stationary Pollution Sources. According to the Certificates issued by the Guangzhou Municipal Ecological Environment Bureau Panyu Branch on July 22, 2020 and January 19, 2021, Panyu plant has no environmental pollution accidents, no public complaints, and no environmental administrative penalties during the Track Record Period.

The water pollutants from our Panyu plant are discharged, centrally monitored and treated by the industrial park. For each individual plant within the industrial park, the relevant government authorities do not require record-keeping or assign water pollutants discharge requirements.

The following table illustrates the air pollutants discharge at our Panyu plant and the relevant permitted level during the Track Record Period:

		Actual discharge			
		For the year ended December 31,			For the nine months ended September 30,
	Permitted annual discharge	2017	2018	2019	2020
Air pollutants					
VOCs (易揮發有機物) (t/a)	0.128(1)	N/A(2)	N/A(2)	N/A(2)	0.095

	Permitted	Actual concentration, tested in			
	concentration	2017	2018	2019	2020
Air pollutants					
VOCs (易揮發有機物) (mg/m^3)	30(3)	N/A(2)	N/A(2)	N/A(2)	2.49

Note:

(1) According to the Environmental Impact Assessment Report.

(2) The air pollutants were discharged, treated, centrally monitored by the industrial park from 2017 to 2019. Therefore, our Panyu plant did not record air pollutants discharge level and concentration for these years.

(3) According to the standards of Guangdong province (DB44/26-2001, DB44/814-2010).

The following table illustrates the water and energy consumption at our Panyu plant during the Track Record Period:

	For the year ended December 31,			For the nine months ended September 30,
	2017	2018	2019	2020
Consolidated energy consumption (ton of standard coal/ton of product)	7.1323	5.3785	6.8601	7.7918
Fresh water consumption (ton of water/ton of product)	0.9932	0.7507	0.9459	1.0425

Management of Climate-Related risks

The climate-related risks can be divided into two major categories: (i) risks related to the transition to a lower-carbon economy and (ii) risks related to the physical impacts of climate change.

(i) Transition risks

Transitioning to a lower-carbon economy, extensive policy, legal, technology, and market changes may take place to address mitigation and adaptation requirements related to climate change. Transition risks related to policy change include any risk that the environmental laws and regulations in the PRC may be amended from time to time and changes in those laws and regulations may cause us to incur additional costs in order to comply with the more stringent rules. Any failure to comply with environmental regulations would expose us to penalties, fines, suspensions or actions in other forms.

(ii) Physical risks

We may face climate-related physical risks with financial implications, such as direct damage to assets and indirect impacts from supply chain disruption. Our financial performance may be affected by changes in water availability, sourcing, and quality, or extreme temperature changes affecting the premises, operations, supply chain, transport needs, and employee safety. During the Track Record Period and up to the Latest Practicable Date, we did not encountered any difficulty in water availability, sourcing and quality, and we did not encountered any extreme temperature changes affecting the premises, operations, supply chain, transport needs, and employee safety that materially and adversely affecting our operation. We recognized our social responsibility on climate change, and our role in assessing and managing these climate-related risks. As such, we installed the water reclamation system in our plants, reusing wastewater for irrigation. We will continue to assess and manage the climate-related risks posed to our Group in the future.

Internal Policies and Programs for Environmental Protection

We are in the process of establishing an environmental, social and governance committee ("**ESG committee**") to oversee our ESG management. Members of the ESG committee include Mr. Hua Jiaguo (花家國), Mr. Liu Yajun (劉亞軍) and Mr. Zhang Peng (張鵬), managers of our production, R&D and internal audit departments. Additionally, we are in the process of forming an environmental protection, health, and safety team (the "**EHS team**") to assess and manage all ESG related matters. Our EHS team uses a number of metrics (the "**ESG metrics**") to assess potential risks, including setting an energy consumption target for each type of our products which measures the use of fuels or electricity in producing each unit of such product. For example, the energy consumption target of household cleaning products is 0.08 kgce per unit, and for mosquito coils is 2.59 kgce per unit. We had met the energy consumption targets during the Track Record Period. If any of our ESG metrics are not met, our EHS team will liaise with the responsible party and take prompt actions to rectify the non-compliant practice and mitigate the impact. We have also developed a series of internal policies and programs for environmental risk prevention to ensure compliance with the requirements of the applicable national, industrial and local standards, laws, regulations and policies. Such policies include report on the emission level of gas pollutants, waste water and solid waste to our EHS team and evaluation of such emission levels on a regular basis. If there is any deviation from the applicable emission standard, we will investigate the cause and will take rectification measures accordingly. During the Track Record Period and up to the Latest Practicable Date, we had not received any notice or warning in relation to pollution in respect of our operation, nor had we been subject to any fines, penalties or other legal actions by government authorities resulting from any non-compliance with any environmental protection laws or regulations that had a material adverse impact on our operations and, so far as our Directors are aware after making all reasonable enquiries, there was no threatened or pending action by any environmental government authorities in respect thereof.

We attach great importance to safety and environmental protection and act proactively to conform with latest laws and regulation. For example, in light of the Draft Pesticide Industry Air Pollutant Emission Standards which proposed to regulate pollutant emissions from July 1, 2019, we took the lead in the industry in upgrading certain aspects of our production, including automating filling and packaging procedures where employees used to come into direct contact with chemicals. We also established sewage treatment stations which are equipped with 24-hour online monitoring systems.

Governance

We are also committed to minimizing environmental impacts and ensuring sustainability in our entire supply chain, and are careful to choose vendors that are socially and environmentally responsible. We have included environmental responsibility and product safety stipulations as part of our standard supplier and outsourced manufacturing contracts, where suppliers and outsourced manufacturers are required to comply with the applicable PRC environmental laws and regulations. In the event of non-compliance, we have the right to unilaterally terminate the contract. Our suppliers and outsourced manufacturers also have the contractual obligation to inform us any government investigation into their environmental protection issues. In addition, we apply stringent environmental criteria to the selection of our suppliers and manufacturers and evaluate a number of factors, such as their past environmental compliance record, environmental management systems as well as any environment and product safety qualification and certification. As part of vendor qualification screening, new suppliers and manufacturers must complete an environmental assessment, which includes on-site evaluation of their environmental management systems. After the initial assessment, suppliers and outsourced manufacturers must continue to meet our stringent and on-going standards of environmental protection to remain on our qualified vendor list. We conduct annual review on our major third party suppliers and manufacturers to evaluate their environmental performance.

We also emphasize on business integrity as key to our long-term development in order to establish long-term and stable relationships with our customers, our suppliers, our employees and other participants in the household care industry. We endeavor to uphold the business integrity of our Group by maintaining a risk management and internal control system. Our risk management and internal control system and procedures are designed to meet our specific business needs and to alleviate the risks arising from our daily operations. For details on the enhanced policies to strengthen our internal governance, see "Business – Internal Control".

Upon Listing, our Directors confirm that they will closely monitor and ensure strict compliance with Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules, the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules and all relevant rules and regulations in relation to environmental, social and governance aspects.

Occupational Health And Safety

Our business operations in the PRC are subject to various laws and regulations relating to occupational health and work safety. For details, please refer to the section headed "Regulatory Overview – Laws and Regulations in the PRC – Regulations in relation to Employment and Social Welfare" in this prospectus.

We have established a series of safety guidelines, rules and procedures for different aspects of our production activities, including fire safety, operation safety, warehouse safety, work-related injuries and emergency and evacuation procedures to promote occupational health and safety and to ensure compliance with applicable laws and regulations. Also, we provide suitable and necessary protection equipment to our employees, i.e., earplugs, protective suits and mask to ensure their safety during work. Furthermore, we inspect our production facilities from time to time in order to ensure that such facilities are safe for use.

As of the Latest Practicable Date, we had complied with applicable laws and regulations on occupational health and work safety in all material respects. During the Track Record Period, we did not record any material accidents. As of the Latest Practicable Date, no material claim had been brought against us as a result of an accident.

AWARDS AND RECOGNITIONS

During the past few years, we have received numerous awards and recognitions, including:

Awards/Recognitions	Award Date	Awarding Institutions/Authority
Guangdong Province High-tech Product Certificate (廣東省高新技術產品證書) for Superb vaporizing mat and liquid vaporizer (超威電熱蚊香片和電熱蚊香液), Superb light smoke mosquito coil (超威微煙蚊香), Vewin heavy duty toilet cleaner (超威除重垢潔廁淨) and Vewin all-round kitchen cleaner (威王十效全能廚房清潔劑)	2017	Guangdong High-tech Enterprise Association (廣東高新技術企業協會)
Guangdong Province High-tech Product Certificate (廣東省高新技術產品證書) for Cheerwin cockroach trap, Vewin air conditioner cleaner and Vewin pipe cleaner	2018	Guangdong High-tech Enterprise Association (廣東高新技術企業協會)
The 5th Top Mobile Awards – Interactive Experience Category – Silver Award (第5屆Top Mobile Awards – 互動體驗類銀獎) for Babeking	2018	Top Mobile Awards
2018 Most Caring Company Award (2018年度愛心單位) in relation to Babe King	2018	China Woman's Development Foundation (中國婦女發展基金會)
China Innovative Marketing Award – Annual Innovative Marketing Industry Case Award – Bronze Award for Household Chemicals and Cosmetics (中國創新營銷大獎 – 年度創新營銷行業案例獎 – 日化美妝銅獎)	2018	China Innovative Marketing Award (中國創新營銷大獎)
The 20th Guangdong Daily Chemical • Power of China – Most Influential Brand (第二十屆廣東日化 • 中國力量 – 最具影響力品牌)	2019	Guangdong Province Household Chemicals Trade Association (廣東省日化商會)
Superman Guardian Award – Designated Mosquito Repellent Product – Mango TV "Mom is Superwoman Season III" (超人守護者獎 – 指定驅蚊產品 – 芒果TV「媽媽是超人第三季」)	2018	Mango TV (芒果TV)
The 19th IAI International Advertising Awards – Integrated Marketing – Bronze Award (第19屆國際IAI廣告獎整合營銷類銅獎) for Babeking and Vewin	2019	IAI International Advertising Award (IAI國際廣告大獎)
The Most Innovative and Investment-worthy Brand for Vewin in the 2020 China Innovation Power List (威王獲2020中國創新勢力榜最具創新力品牌、最具投資價值品牌)	2020	iiMedia Research (艾媒諮詢)

Awards/Recognitions	Award Date	Awarding Institutions/Authority
The 20th IAI International Advertising Awards – Integrated Marketing – Bronze Award (第20屆國際廣告獎整合營銷類銅獎) for Cyrin	2020	IAI International Advertising Award (IAI國際營銷大獎)
The 11th Golden Mouse Digital Marketing Competition – Socialized Marketing – Bronze Award (第11屆金屬標數字營銷大賽社會化營銷類銅獎) for Cyrin	2020	Golden Mouse Award (金屬標)
The 11th Golden Mouse Digital Marketing Competition – Most Creative Brand – Silver Award (第11屆金屬標數字營銷大賽最具創新精神銀獎) for Babeking	2020	Golden Mouse Award (金屬標)
Top 500 Manufacturing Enterprises in Guangdong Province (廣東省製造企業500強公司)	2019	Guangdong Manufacturing Association (廣東省製造業協會) Guangdong Industrial Development Research Institute (廣東省產業發展研究院) Enterprise Competitiveness Research Center of Guangdong Academy of Social Sciences (廣東省社會科學院企業競爭力研究中心)
ISO9001:2015 – Quality Management Systems Certificate (ISO9001:2015 – 質量管理體系認證)	2019	BSI Management Systems Certification (Beijing) Co., Ltd (英標管理體系認證有限公司)
GB/T24001-2016/ISO14001:2015 – Environment Management Systems Certificate (GB/T24001-2016/ ISO14001:2015 – 環境管理體系認證)	2020	Zhongjian Certification Co., Ltd. (中鑒認證有限責任公司)
GB/T23331-2012 – Energy Management Certificate (GB/T23331-2012 – 能源管理體系認證)	2020	Zhongjian Certification Co., Ltd. (中鑒認證有限責任公司)
China Environmental Label Product (中國環境標誌產品) for twelve of our products	2019-2020	China Environmental United (Beijing) Certification Center Ltd. (中環聯合(北京)認證中心有限公司)
First batch of green design products for 10 Vewin brand products	2017	General Office of the Ministry of Industry and Information Technology (工業和信息化部辦公廳)
ISO45001:2018 – Occupational Health and Safety Management System Certification (ISO45001:2018 – 職業健康安全管理體系認證)	2020	Zhongjian Certification Co., Ltd. (中鑒認證有限責任公司)
Research and Application of Cockroach Pheromone in Trapping and Killing Cockroach Products – Third Prize of Scientific and Technological Progress (蟑螂信息素在誘殺蟑螂產品中的研究和應用–科學技術進步三等獎)	2020	Guang Dong Light Industrial Council (廣東省輕工業聯合會)

LICENSES, APPROVALS AND PERMITS

We are required to maintain various licenses, approvals and permits in order to operate our business. Our material licenses and permits include Pesticide Production License, Pesticide Registration Certificate and Sanitation License of Disinfectant Products Manufacturer. Our legal department is responsible for monitoring the validity status of our licenses and permits and make timely applications for renewal to relevant government authorities. Please refer to the section headed "Regulatory Overview" for further information on the laws and regulations that we are subject to.

As of the Latest Practicable Date, we had obtained the requisite licenses, approvals and permits from relevant authorities that are material to our operations in the PRC and such licenses, approvals, and permits were valid and remain in effect as of the Latest Practicable Date. In addition, we monitor our compliance with the relevant laws and regulations to ensure that we have the requisite licenses, approvals and permits for our operations.

The table below sets forth our material licenses and permits and their corresponding expiry dates.

Name of Member of the Group	Name of Licenses/Permits	Number	Expiry Date
Anfu Cheerwin	Pesticide Production License	1	July 2, 2023
	Pesticide Registration Certificate	6	May 9, 2022, September 22, 2025, August 31, 2025, August 28, 2025, June 14, 2025, August 1, 2024
	Sanitation License of Disinfectant Products Manufacturer	1	May 24,2024
	Pollutant Discharge Registration Receipt of Stationary Pollution Sources	1	June 17, 2025
Panyu Cheerwin	Pesticide Production License	1	December 12, 2022

Name of Member of the Group	Name of Licenses/Permits	Number	Expiry Date
	Pesticide Registration Certificate	36	May 21, 2025, April 15, 2025, April 17, 2023, January 14, 2023, October 14, 2021(1), July 27, 2021(1), June 21, 2021(1), September 22, 2025, September 22, 2025, August 31, 2025, August 28, 2025, August 28, 2025, August 28, 2025, July 30, 2025, July 30, 2025, July 30, 2025, July 30, 2025, November 3, 2024, November 3, 2024, August 14, 2024, January 20, 2024, December 17, 2023, November 8, 2023, June 4, 2023, April 8, 2023, April 18, 2022, August 4, 2021(1), January 19, 2025, January 21, 2024, April 9, 2024, March 9, 2024, December 12, 2023, December 9, 2023, December 4, 2023, November 26, 2023, November 25, 2023
	Sanitation License of Disinfectant Products Manufacturer	1	January 15, 2025
	Pollutant Discharge Registration Receipt of Stationary Pollution Sources	1	May 7, 2025

Note:

(1) The Company will complete the renewal of the relevant Pesticide Registration Certificate in due time before its expiration as required by PRC laws and regulations.

Pursuant to the Regulations on Pesticide Administration (《農藥管理條例》), the state implements a pesticide registration system, and pesticide manufacturing enterprises shall apply to the competent agricultural authorities for Pesticide Registration Certificate and Pesticide Production License. The Pesticide Registration Certificate shall clearly state the name of the pesticide, dosage form, active ingredients and their content, toxicity, scope of use, method of use and dosage, holder of the registration certificate, registration certificate number and period of validity, etc. Anfu Cheerwin and Panyu Cheerwin have obtained relevant Pesticide Registration Certificates issued by the Ministry of Agriculture for the use of meperfluthrin and dimefluthrin and Pesticide Production Licenses issued by the competent provincial agricultural authorities. Therefore, we are permitted to use meperfluthrin and dimefluthrin in the manufacturing in certain products as approved in the respective Pesticide Registration Certificates. Further, based on the compliance certificates issued by the competent agricultural authorities, no administrative penalty has been imposed on either Anfu Cheerwin or Panyu Cheerwin due to the violation of relevant PRC laws and regulations on pesticide administration during the Track Record Period.

INTERNAL CONTROL

Our Board of Directors and our senior management are responsible for establishing and maintaining adequate risk management and internal control systems. We have designed and implemented a risk management system that covers each material aspect of our operations, including financial security, information disclosure, R&D, production, sales and compliance.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system. For the qualifications and experience of the committee members, see "Directors, Senior Management and Employees" in this prospectus;
- adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;
- organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;
- conduct regular internal training for our employees and management on applicable laws and regulations to ensure awareness and compliance which cover various aspects of employee behavior during the ordinary business operations; and
- appoint HeungKong Capital Limited as our compliance adviser to advise on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

LEGAL PROCEEDINGS AND COMPLIANCE MATTERS

As of the Latest Practicable Date, there was no litigation, arbitration or administrative proceedings pending or threatened against the Company or any of our Directors which could have a material and adverse effect on our financial condition or results of operations.

Our Directors, as advised by our PRC Legal Advisers, confirm that as of the Latest Practicable Date, we have complied with the relevant PRC laws and regulation in all material respects and have obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations in China, except as disclosed in "– Employees", "– Properties" and "– Licenses, Approvals and Permits" herein.

Non-compliance

The following table sets forth the non-compliance incidents our Group was involved in during the Track Record Period and up to the Latest Practicable Date.

Non-Compliance	Reasons for the Non-Compliance	Legal Consequences	Rectification and Enhanced Internal Control Measures
We commenced our operations at certain production facilities of Anfu Cheerwin before obtaining the relevant pollutant discharge permit.	According to the certificate issued by the Jiangxi Anfu High and New Technology Industrial Park Management Committee, Anfu Cheerwin is recognized as an industrial and commerce enterprise (工貿企業) instead of an enterprise under strict pollution-control monitoring (重點污染監管企業) and therefore was not required to obtain the pollutant discharge permit by the administrative department of environmental protection before 2018.	According to Measures for Pollutant Discharge Permitting Administration (排污許可管理辦法), in the case of entities required to apply for a pollutant discharging permit but fail to do so, or who discharge pollutants without obtaining a pollutant discharge permit after the application, the administrative department of environmental protection at or above the county level shall require rectification or restrict the production of the entity and suspend its business, as well as impose a fine ranges from RMB0.1 million to RMB1.0 million.	We have already obtained the pollutant discharge permit on April 16, 2018 and as of the Latest Practicable date, we possess a valid pollutant discharge registration. As confirmed by the Ji'an Anfu Ecology and Environment Bureau of Jiangxi Province, Anfu Cheerwin has been granted the pollutant discharge permit and therefore would not be fined or subject to any administrative penalties imposed by the relevant authority. Based on the aforementioned confirmation, our PRC Legal Advisers are of the opinion that the risk of our Group being penalized due to such historical lack of pollutant discharge permit is remote. Based on the above confirmation and interview conducted with Ji'an Anfu Ecology and Environment Bureau and as advised by our PRC Legal Advisers, our Directors are of the view that the lack of pollutant discharge permit for the period from January 2018 up to April 2018 with respect to our operations at Anfu Cheerwin would not have a material adverse effect on our operations. We have retained our PRC Legal Advisers to provide advice to the Board and our environmental compliance team on an ongoing basis in respect of all relevant PRC environmental laws and regulations, including changes to such laws and regulations, which may affect our operations in the PRC.

Non-Compliance	Reasons for the Non-Compliance	Legal Consequences	Rectification and Enhanced Internal Control Measures
			We have adopted a set of environmental management rules to enhance our compliance with PRC environmental laws and regulations. Our environmental compliance team is responsible for overseeing the Group's compliance with PRC environmental protection laws and regulations. If there is any breach of relevant PRC environmental laws and regulations, the Board will consult with our PRC Legal Advisers and take appropriate actions to rectify such breach. The Board will also meet annually to discuss the annual report on our Company's compliance with relevant PRC environmental laws and regulations prepared by our environmental compliance team. The Board will evaluate the status, recommend appropriate actions and, if necessary, seek further advice from our PRC Legal Advisers for further enhancement of our compliance with relevant PRC environmental laws and regulations.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (without taking into account of any Shares which may be allotted and issued pursuant to the Over-allotment Option), Mr. KX Chen and Mr. KC Chen, who are brothers, and their respective spouse, Ms. Li and Ms. Ma, will hold 6.5%, 3.5%, 58.5% and 31.5%, respectively, of Cheerwin Global BVI, their investment holding company, which will in turn own approximately 74.25% of our issued share capital. Pursuant to the Stock Exchange's Guidance Letter GL89-16, Mr. KX Chen, Mr. KC Chen, Ms. Li, Ms. Ma and Cheerwin Global BVI are presumed to be a group of controlling shareholders by virtue of their holdings through a common investment vehicle as well as their spousal relationships. Mr. KX Chen, Mr. KC Chen, Ms. Li and Ms. Ma have also entered into the Concert Parties Arrangement, pursuant to which they confirmed their agreement to act in concert in relation to the exercise of their voting rights at the meetings of the shareholders and the board of directors of the members of our Group.

DELINEATION OF BUSINESS

Our core business is research and development, manufacturing and sale of household care products, personal care products and pet care products under seven well-known brands namely, Vewin (威王), Superb (超威), Babeking (貝貝健), Cyrin (西蘭), Rikiso (潤之素), Naughty Buddy (倔強的尾巴) and Dux (德是).

Apart from their shareholding in our Company, our Controlling Shareholders also have interests in a number of other business segments, which include consumer products, health food products, property investment, asset management and financial services. Our Controlling Shareholders' interests in the consumer segment are in certain fabric care, dish care, personal care product categories. We believe that our core business is delineated from the legacy business in the consumer segment owned by our Controlling Shareholders (the "**Retained Business**"). The Retained Business operates a principal brand strategy under the "Liby" (立白) brand and "COGI" brand and offers different product categories compared to our core business. The Retained Business is a sizeable business that generated substantial revenue and profits during the Track Record Period. The Retained Business is carried on by companies controlled by our Controlling Shareholders, principally through Liby Group, and are discussed below. As of the Latest Practicable Date, Liby Group (including Guangzhou Liby, its subsidiaries and other associated entities) was at least 95.0% owned and controlled by our Controlling Shareholders except for Tianjin Liby Sales which was held as to 35.0% and 65.0% by Mr. KC Chen and son of Mr. KX Chen, respectively. Save as disclosed in "— Independence from Our Controlling Shareholders", the Retained Business is led by management teams separate from and that do not overlap with that of our Group.

Summary of the Retained Business

The following diagram illustrates that there is minimal overlap between the respective product categories of our Group and the Retained Business and we therefore consider that the Retained Business not to be in competition with our core business. While there is potential product category overlap between the Retained Business and our Group, we believe that the potential overlap category is not material for reasons set forth below.

Segment	Category	% of our Revenue for the year ended December 31, 2019	Our Core Business	Retained Business	Delineation
Household Care products	Household cleaning	26.2%	✔	✕	–
	Household insecticides and repellents	63.3%	✔	✕	
	Air care	4.5%	✔	✕	
	Dish care	N/A	✕	✔	
Fabric Care products	Laundry detergents and laundry aids	N/A	✕	✔	
Personal Care products	Skincare	0.1%	✔	✔	Different product specifications targeting different customers
	Hair & body care and hand sanitizers	3.1%	✔	✔	Different product specifications targeting different customers
	Florida water	2.0%	✔	✕	–
	Oral care	N/A	✕	✔	
	Colour cosmetics	N/A	✕	✔	
Pet Care products	Pet hygiene, pet deodorants and cat litter	0.1%	✔	✕	–

During the Track Record Period, laundry detergents and laundry aids, utensils detergent and fruits and vegetable wash products contributed a significant majority of the businesses of the Retained Business.

The Retained Business comprises the following product categories:

(1) Household Care Segment

(a) *Dish care*: The Retained Business is engaged in the manufacturing and sales of utensils detergent, including dish soaps and detergent, concentrated utensils detergent, dishwasher detergent and tablets and dishwasher salt, and the manufacturing and sales of vegetable and fruits wash in liquid, spray and tablet forms.

(2) Fabric Care Segment

(a) *Laundry detergents and laundry aids*: The Retained Business is engaged in the manufacturing and sales of laundry products, including laundry powder, laundry soap, fabric bleach, fabric softener and knitwear disinfectant.

(3) Personal Care Segment

(a) *Skincare products*: The Retained Business is engaged in the manufacturing and sales of high-end skin care products with different product lines targeting different skin problems and specializing in different functions such as whitening, firming, moisturizing and anti-aging, etc.

(b) *Hair & body care products and hand sanitizers*: The Retained Business is engaged in the manufacturing and sales of water-free hand sanitizers, anti-bacterial hand wash, body wash and shampoo catered for infants.

(c) *Oral care products*: The Retained Business is engaged in the manufacturing and sales of oral care products, such as, tooth paste, tooth brush, electric tooth brush, oral rinse, dental floss and oral powder.

(d) *Colour cosmetics*: The Retained Business is engaged in the manufacturing and sales of cosmetic products.

Accordingly, on the basis of the non-overlapping of product segments and categories between our Group and the Retained Business accounted for approximately 96.1% of our revenue for the year ended December 31, 2019, coupled with the fact that we are able to operate independently of the Retained Business, we consider that the Retained Business not to be in competition with our business, except for the limited number of overlapping products where we believe the overlap is not material and has clear delineating characteristics for the reasons set forth below. In addition to non-overlapping products, our Group and the Retained Business manage a different and distinct brand portfolio and we do not have any overlapping brands with the Retained Business.

Our products only overlap with products of the Retained Business in two narrow product categories under the skincare and hair & body care products and hand sanitizer categories which only accounted for approximately 0.1% and 3.1%, respectively, of our revenue for the year ended December 31, 2019. For such overlapping product categories, our business and the Retained Business manufacture and supply products with different specifications which target different market segments and therefore are delineated from, and do not and are not likely to compete directly with, each other:

- *Face cream*: The Retained Business and our Group are both engaged in the manufacturing and sales of face cream. The principal skincare product of our Group is SOD Cream and the principal skincare products of the Retained Business are from various skincare lines with different focus on different skin problems and consist of Even Brightening Cream, Silk-fibroin Moisture Lotion and Multi-aging Resistance Repair Cream, etc. under the “COGI” brand. Face cream of the Retained Business have a higher price range than those manufactured by us, mainly providing different functions such as whitening, re-pairing and firming, and targets female customers with higher purchasing power, whereas face cream manufactured by our Group targets the mass market including both males and females. For the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2020, the average selling price of the face cream sold by the Retained Business ranged from RMB69 to RMB219 per 50 grams, while the average selling price of our face cream sold by us ranged from RMB9.9 to RMB18.9 per 100g bottle for the same period.

- *Hair & body care products and hand sanitizers*: The hair & body care products and hand sanitizers of the Retained Business are infant specific products and adopt a gentle formula to cater for infants' special needs, whereas our hair & body care products and hand sanitizers do not employ the same formula and target adults in general. For the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2020, the average selling price of the body & hand wash and hair care products sold by the Retained Business ranged from RMB48 to RMB60 for each product, while the average selling price of our hair & body care products and hand sanitizers ranged from RMB13 to RMB36 for each product, for the same period.

The revenue contributed by the overlapping products of our Group and the Retained Business during the Track Record Period were as follows:

- *Face cream*: Sales of face cream only accounted for a relatively small portion of our revenue and face cream was not one of our principal products. For the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2020, face cream accounted for nil, nil%, 0.04% and 0.09% of our revenue for the respective period, and, as confirmed by Liby Group, the total revenue generated by the face cream of the Retained Business accounted for less than 2.0% of its total revenue for the same respective period as indicated above.

- *Hair & body care products and hand sanitizers*: Sales of hair & body care products and hand sanitizers only accounted for a relatively small portion of our hair & body care products and hand sanitizers were not one of our principal products. For the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2020, hair & body care products and hand sanitizers accounted for nil, nil, 3.1% and 4.5% of our revenue for the respective period, and, as confirmed by Liby Group, the total revenue generated by the hair & body care products and hand sanitizers of the Retained Business accounted for less than 2.0% of its total revenue for the same respective period as indicated above.

Even though kitchen cleaners and utensils detergents are under the broad category of household care products, we believe that there is a clear delineation and they rarely directly compete with each other based on the following reasons:

- *Different application and functionality*: Household cleaning products such as kitchen cleaners and dish care products such as utensils detergents are both under the broad household care category. However, according to CIC, household cleaning in the industry typically refers to the household chemicals used for the cleaning of indoor environment, and kitchen cleaners in general are applied to remove accumulated heavy dirt and grease residue on kitchen surfaces with powerful cleaning capabilities, and are not designed for direct application on food utensils. They are distinct products from utensils detergents of the Retained Business, which adopt a mild food grade formula to protect health and safety of end customers and the primary function of which is to remove grease and grime on dishes and cutleries through foaming with water;

- *Evolving consumer behavior*: According to CIC Report, there is an increasing consumer awareness of hygiene in all tiers of cities and the growing pursuit for good living conditions and the enrichment of product portfolios that are innovative in forms, functions and scenarios. As a result, there is an increasing demand for increasingly specialized and diversified household chemical products. On this basis, we believe it is unlikely that consumers will apply kitchen cleaners for dish washing purpose and utensil detergents for cleaning kitchen surfaces, and as kitchen cleaners and utensils detergents are not usually apply for the same purpose, they are not in competition with each other; and

- *Different product specifications*: As utensils detergents may be in contact with food from time to time, Standardization Administration of the PRC (國家標準化管理委員會) promulgated different set of mandatory national standards for kitchen cleaners and utensils detergents, in which different safety and testing requirements are set out specifically for each product category. Accordingly, kitchen cleaners and utensils detergents have different and distinct product specifications and are clearly delineated.

For the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2020, kitchen cleaners accounted for 5.8%, 5.2%, 5.6% and 4.2% of our revenue for the respective period, and as confirmed by Liby Group, the total revenue generated by the utensils detergents of the Retained Business accounted for 25.0%, 26.8%, 28.5% and 34.0% of its total revenue for the same respective period as indicated above.

Based on the above, our business and the Retained Business rarely compete directly due to the different product specifications and market segments that each serves. Accordingly, we are of the view that we do not have material competition, directly or indirectly, with the Retained Business.

Reason for the Exclusion of the Retained Business from our Group

Our Directors are of the view that it would be commercially justifiable to exclude the Retained Business from our Group based on the following reasons:

a. Having taken into account the delineation of business between our principal business and the businesses of the Retained Business, our Directors are of the view that the businesses of the Retained Business do not form part of our principal business and they will not, whether directly or indirectly, compete with each other after the Listing as our business and the Retained Business supply different products with different specifications targeting different market segments;

b. The businesses of the Retained Business and our principal business have different growth plans, business strategies and risk profiles. The Retained Business has different core products and the businesses of the Retained Business are not in line with our business strategy and hence have not been included in our Group;

c. Our Group has been managed by a senior management team led by Ms. Chen Danxia, our Chairman, Chief Executive Officer and executive Director, that operates independently from the management of the Retained Business as elaborated in below paragraph "– Management Independence";

d. Our Directors are of the view that the exclusion of the businesses of the Retained Business from our Group will give a clear focus to investors.

Given the above, as of the Latest Practicable Date, our Controlling Shareholders have no intention to inject, prior to or in the near future after Listing, the Retained Business into our Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from the Controlling Shareholders and its respective associates after the Global Offering.

Management Independence

The Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. Our management and operational decisions are made by our executive Directors and senior management, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged. Please refer to the section "Directors, Senior Management and Employees" for further details.

Two of our Directors, Ms. Chen Danxia and Mr. Chen Zexing, are members of the Chen family and our Controlling Shareholders. Mr. KX Chen and Mr. KC Chen founded the Chen family's businesses across a broad range of business segments, and they have designated their next generation of Chen family members to oversee the Chen family's businesses, including taking up board positions at these businesses. As such, both Ms. Chen Danxia is responsible for running our Group as our executive Director, chairman of the Board and Chief Executive Officer, while also taking up non-executive directorships at several Chen family businesses. Similarly, Mr. Chen Zexing, our non-executive Director, serves as a representative of the Chen family on our Board while he runs the Chen family's health food business as the chairman and a director of Kai Tai Chinese Medicine (Holdings) Co., Limited (啟泰藥業(集團)有限公司) ("**Kai Tai Group**"), a business in which Ms. Ma and Ms. Li, two of our Controlling Shareholders, are interested. He also serves as a director and general manager at Guangzhou Sulikang Biotechnology Company Limited (廣州素力康生物科技有限公司) ("**Guangzhou Sulikang**"), primarily engaged in the production of health food products, which is owned and controlled by Mr. KX Chen and Mr. KC Chen, our Controlling Shareholders. Mr. Chen Zexing held no substantive roles in our Group and in case of any conflict of interest between our Group and Kai Tai Group, Mr. Chen Zexing will exercise his duties in accordance with relevant constitution documents and applicable laws and regulations.

The table set out below summarizes the directorships and/or senior management positions held by Ms. Chen Danxia and Mr. Chen Zexing in our Controlling Shareholders' businesses:

Name of Director/Senior Management	Positions in the Company	Positions in our Controlling Shareholders' other businesses
Ms. Chen Danxia	Chairman, Chief Executive Officer and executive Director	Non-executive director of Kysun Holdings, Liby Group, Shanghai Cogi
Mr. Chen Zexing	Non-executive Director	Chairman and executive director of Kai Tai Group, director and general manager of Guangzhou Sulikang and director at Kysun Holdings

Notwithstanding the above, we believe that our Board, as a whole, together with our senior management team, will be able to perform the managerial roles independently for the following reasons:

- Although Ms. Chen Danxia will continue to hold her current non-executive positions in several Chen family businesses, namely Kysun Holdings, Liby Group, Shanghai Cogi, and she will not participate in the day-to-day operations of these companies. Ms. Chen Danxia will devote substantially all of her time to the day-to-day operations and management of our Group;

- Mr. Chen Zexing, our non-executive Director, does not and will not be involved in the day-to-day management or affairs and operations of our businesses;

- each Director understands that unless otherwise specified in the Articles, they are required to abstain from voting on any Board resolution approving any transaction, contract or arrangement or any other proposal in which he/she or any of his/her close associates, is to his/her knowledge, materially interested and if he/she shall do so his/her vote shall not be counted (nor shall he be counted in the quorum for that resolution);

- our senior management team makes independent business decisions. Our independent non-executive Directors also bring independent judgment to the decision-making process of our Board and are entitled to engage advisors or professionals to advise them in this regard; and

- Our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director has any decision-making power unless otherwise authorized by our Board.

Save as disclosed above, none of our executive Directors and senior management holds any directorship or senior management position in our Controlling Shareholders or their close associates and they are our full-time employees.

Each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his personal interests. Our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her associates has a material interest and shall not be counted in the quorum present at the particular Board meeting.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

Operational Independence

Although the Controlling Shareholders will retain a controlling interest in our Company after the Listing and with the exception of certain transactions conducted on normal commercial terms in the ordinary course of business of our Group in relation to the sale and purchase of products, provision of ancillary services, provision of property services between our Group and associates of our Controlling Shareholders (as further described below and in the section headed "Connected Transactions" in this prospectus), we have full rights to make all decisions regarding, and to carry out, our own business operations independently from our Controlling Shareholders. Our Company (through our subsidiaries) holds or enjoys the benefit of all relevant licenses necessary to carry out our businesses, and has sufficient capital, distribution channels, production facilities and employees to operate our business independently from the Controlling Shareholders.

We have established our own organizational structure with independent departments, each with specific areas of responsibility. We maintain a set of comprehensive internal control procedures to facilitate the effective operations of our business. Our operational functions are run independently of the Controlling Shareholders and their respective close associates.

We have our own employee headcount for our operations and our own management of human resources, cash and accounting, invoicing and billing. As of the Latest Practicable Date, substantially all of our full-time employees were recruited independently and primarily through recruitment websites, on-campus recruitment programs, advertisements in newspapers, recruiting firms and internal referrals, and some of our employees were recruited through Cheerwin Business Division prior to the Reorganization.

Sales and Outsourcing Arrangements with Associates of our Controlling Shareholders

(i) Sales to Liby Group

We have been selling some of our products to Liby Group during the Track Record Period, which accounted for approximately 17.9%, 23.0%, 20.7% and 20.7% of our total revenue for the years ended December 31, 2017, 2018, 2019 and the nine months ended September 30, 2020. For further information on our sales to Liby Group, please refer to the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions – 1. Sales Framework Agreement with Liby Group" in this prospectus.

Our products are sold by Liby Group to certain key accounts, overseas markets, certain online distributors and certain corporate and institutional customers. Key accounts include national and regional hypermarkets and supermarkets, which generally tend to procure from a few large suppliers with broad product offerings in order to streamline their own procurement processes. We understand that key accounts generally prefer to procure from Liby Group for legacy reasons because there is an established contractual relationship and, given our common ownership, key accounts may regard us and Liby Group as affiliated entities for procurement purposes and prefer not to have two separate contractual relationships. To the best of our knowledge, the key accounts would incur additional operation and management costs if they are required to procure from two separate legal entities. Up to the Latest Practicable Date, 45 key accounts which procured through Liby Group has confirmed in writing that they are willing to establish a separate contractual relationship with the Company, the sales to which constituted approximately 77.4%, 70.1%, 89.7% and 90.7% of our total sales to Liby Group for the years ended December 31, 2017, 2018, 2019 and the nine months ended September 30, 2020, respectively, based on the information provided by Liby Group. In addition, as confirmed by 45 key accounts, procuring our products through Liby Group is more conducive to lowering their operational cost and improving procurement efficiency. In light of the above, we do not believe it is in our interest to enter into direct contractual relationships with key accounts as we may be required to pay one-off set up cost to these key accounts by virtue of the fact that a new agreement is entered into. Based on management assumptions and our best estimates, such one-off set up cost is estimated to be in the range of between RMB61.8 million and RMB86.5 million. Considering our brands had already entered into stores of respective key accounts, the one-off set up cost may vary subject to case by case negotiation.

Given that there is minimal overlap between our products and Liby Group's products sold to these key accounts, we have the sales infrastructure to sell to these key accounts directly if they contract with us directly rather than Liby Group, as demonstrated by our direct sales through offline distributors, online distributors, self-operated online stores, corporate and institutional customers and overseas distributors, which amounted to RMB1,104.8 million, RMB1,039.5 million, RMB1,096.8 million and RMB1,159.2 million, respectively, and represented approximately 82.1%, 77.0%, 79.3% and 79.3% of our total revenue for the years ended December 31, 2017, 2018, 2019 and the nine months ended September 30, 2020. Given that the quantity of products supplied to the key accounts by us alone will be smaller than the combined quantity of products supplied by Liby Group and us together, if we sell our products directly to key accounts, according to our industry knowledge and experience, the terms will not be as advantageous as it is estimated that (i) the annual rebate rate to the key accounts will increase by 3% to 5% as confirmed by CIC, subject to parties' negotiation, (ii) for promotion expenses and fees, we will be charged approximately 15.0% to 20.0% more per annum for each key account, and (iii) the credit term with key accounts will be approximately 60 days. With RMB884.8 million cash and cash equivalents as of December 31, 2020, our Directors believe that our Company will have sufficient working capital and the increase in trade receivables due from key accounts is expected to be not significant, therefore, the Directors consider that the impact of having 60-day credit term with key accounts on our operation and financial performance will not be material.

In order to establish our sales infrastructure to sell directly to these key accounts, other distributors and certain corporate and institutional customers, it is estimated that an additional annual cost of RMB78.5 million will be incurred, primarily consisting of (i) wages and salaries for employing additional full-time staff including over 330 local key account managers and regional managers; (ii) additional travel and telecommunications cost for contract negotiation, inspection and site visit of various points-of-sales and stores, and communication with key accounts and other customers; and (iii) regional office rental and other set up cost for approximately eight additional regional offices without taking into account the one-off set up cost aforementioned. A significant portion of the annual cost is estimated to be contributed from the additional wages and salaries for employing more full-time staff and the additional travel and telecommunications cost. In addition, apart from the annual cost relating to establishing the sales infrastructure, we will incur additional operational expenses such as display fee, promotion fee and logistics and distribution fee, etc., the amounts of which are dependent on our future business growth and operation scale. After considering the time needed for the (i) negotiation process with these key accounts, distributors and individual corporate and institutional customers, (ii) internal approval process, (iii) system transitioning process; and (iv) recruitment, onboarding and training process of our new employees, we estimate that process of establishing such sales infrastructure will take approximately twelve months and up to 24 months for us to complete transition and commence a direct relationship with all our key accounts that commensurate with our business plan and all our key accounts finalize their internal processes to transition their systems and commence a direct relationship with us. As (i) we would have sufficient cash flow after payment of one-off set up cost over the transition period for each of the key accounts, additional annual cost of RMB78.5 million and other selling and distribution expenses such as advertisement fee, sales rebates, promotional fee and logistics fee, etc., and that (ii) based on our industry experience and knowledge, the estimated revenue generated from direct sales to key accounts is expected to be higher as a result of a higher average selling price of our products sold to key accounts if we conduct direct sales with key accounts, which will be sufficient to cover the additional ongoing annual cost of RMB78.5 million, our Directors consider that the impact on our operation and on-going financial performance will not be significant in the event we conduct direct sales to key accounts.

Given our significantly larger product portfolio, the above sales arrangement is also beneficial to Liby Group as it can showcase a much larger number of product categories when dealing with key accounts. We have diverse product offerings under our multi-brand portfolio and our cooperation with Liby Group help drive the sales of Liby Group's own products to its customers. To the best knowledge of our Directors, we are not aware of Liby Group having similar arrangements with other product manufacturers apart from us. Accordingly, we are not unilaterally relying on Liby Group on key accounts as we have been their reliable supplier of our multi-branded products, which have complemented Liby Group's principal brand strategy. The relationship between our Company and Liby Group is mutual and reciprocal. In addition, our sales arrangement to key accounts through Liby Group created synergy between the two businesses and is mutually beneficial to Liby Group and us because both could enjoy economies of scale, such as lower average transportation cost with heavier load and lower per unit promotion expense and display fee due to larger quantity of products supplied together by Liby Group and us.

Historically, Liby Group assisted us in our online and overseas distribution channels, as these channels were relatively smaller in scale at the time. During the Track Record Period, we started to develop and diversify our own online and overseas distribution channels by selling our products directly on major e-commerce platforms, such as T-Mall, JD.com and Pingduoduo and directly engaging overseas distributors outside of Liby Group's distribution channels. Since April 2019, based on mutual agreement, Liby Group no longer sells any of our products online. For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, sales through our self-operated online stores and online distribution channels managed by us accounted for approximately nil, 1.1%, 11.0% and 16.3% of our total revenue, respectively.

We believe by selling our products through Liby Group, we can leverage on Liby Group's established distribution channels and resources to create cost and operational synergies without compromising our own ability to sell our products across all the key distribution channels. Notwithstanding the above, in order to further expand our market share and to reduce reliance on Liby Group for sales to key accounts, if there are new business opportunities with new key accounts in the future, we will consider conduct direct sales with key accounts going forward. Based on the above, our Directors believe that the sales of products to Liby Group would not constitute undue reliance on our Controlling Shareholders.

(ii) Outsourcing Production to the associates of our Controlling Shareholders

We have outsourced the production of certain products, such as disinfectants, toilet cleaners, kitchen cleaners, soap and other household cleaning products, to the associates of Mr. KX Chen and Mr. KC Chen, our Controlling Shareholders during the Track Record Period. We expect to continue the outsourcing arrangement with Xinxiang Liby, Panyu Liby, Maanshan Liby, Siping Liby, Sichuan Liby, Liby Rihua and Shanghai Cogi ("**Connected Suppliers**") after Listing. We possess all relevant licenses required for the production of our products.

For the years ended December 31, 2017, 2018, 2019 and the nine months ended September 30, 2020, purchases from the Connected Suppliers amounted to RMB171.1 million, RMB131.2 million, RMB202.0 million and RMB160.9 million, respectively, and represented approximately 28.8%, 22.0%, 38.2% and 30.0% of our ODM & OEM cost for the same period, respectively. The total purchases made to the Connected Suppliers increased by 54.1% from 2018 to 2019 were primarily due to the growth of our business from demand for additional capacity during peak seasons. To our best knowledge, none of the Connected Suppliers had obtained financing from Baokai Daorong during the Track Record Period. For further information on our procurement arrangement with the Connected Suppliers, please refer to the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions – 2. Outsourcing Framework Agreement with Mr. KX Chen and Mr. KC Chen" in this prospectus.

Given our long term cooperation relationship with the Connected Suppliers, they are familiar with our product specifications and requirements and are able to respond to our production demand both in terms of production processes and ability to secure raw materials in a shorter timeframe compared to other third party manufacturers.

Approximately 2.65 million units of toilet cleaners, 0.92 million units of disinfectants and 0.64 million units of other household cleaning products were outsourced to Liby Group in 2020, and based on the information provided by our third party manufacturers, they would have additional production capacity to manufacture a total of 2.78 million units of toilet cleaners, 1.16 million units of disinfectants and 0.87 million units of other household cleaning products in the same year. Accordingly, our third party manufacturers also have the capacity to supply the products we outsourced to the Connected Suppliers for production. During the Track Record Period, we have outsourced the production of the same products we engaged the Connected Suppliers to manufacture to other third party manufacturers and the terms for outsourcing to the Connected Suppliers were comparable to those outsourcing to independent third-party manufacturers, as confirmed by CIC. In terms of pricing, we would generally leave a reasonable margin on top of raw material and labor cost to both the Connected Suppliers and other third party manufacturers, and we were required to make payment within 30 to 60 days upon receipt of invoice issued by our manufacturers. In terms of delivery time, the manufacturing of products was usually completed within one month and the third party manufacturers and the Connected Suppliers delivered the products upon our request during the Track Record Period. Our Directors believe that we select our manufacturers in accordance to market-oriented principles and act with a view to promote our best interests. We are not obliged to outsource the production of our products to the Connected Suppliers and we are free to engage other third-party manufacturers to provide similar services. In the event that we no longer outsource the production of our products to the Connected Suppliers, our Directors believe that there will be no material increment in our procurement cost that will adversely affect our operation and financial performance.

Accordingly, our Directors are of the view that the outsourcing of finished goods to the Connected Suppliers would not constitute undue reliance on our Controlling Shareholders. Nonetheless, we are planning to reduce the proportion of our products being outsourced to the Connected Suppliers going forward.

Provision of Ancillary Services by Liby Group

Ancillary services

We engaged Liby Group to provide certain sales support service, warehouse services and IT services to our Company. The service fees charged by Liby Group are more competitive than or comparable to the fees charged by other service providers who are Independent Third Parties and/or is lower than the costs of maintaining our own staff and assets if we were to hire our own employees to perform such services. Despite the service fees for sales support service and warehouse services charged by Liby Group may be more competitive than the fees charged by other third party service providers, it is still comparable to the market rate charged by other third party service providers as confirmed by CIC, and the ancillary service fees for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 only accounted for approximately 7.4%, 3.3%, 3.3% and 1.9% of our Group's total revenue, respectively, in a declining trend. Accordingly, if we were to engage other third party service providers, our Directors consider that there would be no material impact on our Group's financial performance during the Track Record Period. During the Track Record Period, we did not engage third party service providers to provide ancillary services. We consider that engaging Liby Group to provide such services would not give rise to undue reliance on Liby Group because the ancillary services are non-core functions of our Group and we are not obliged to engage the Liby Group to provide such services and we are free to engage Independent Third Parties to provide similar services and/or to hire our own personnel to perform such services. We intends to reduce our dependency on Liby Group in its provision of ancillary services whenever it is economically viable and in the best interest of our Company and our Shareholders as a whole and priority will be given to procure services from independent third parties when more competitive fees are available from these independent third-party service providers.

For details of this transaction, please refer to the section headed "Connected Transactions – Partially Exempt Continuing Connected Transactions – 2. Ancillary Service Agreement with Liby Group" in this prospectus.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system, accounting and finance department independent treasury functions for cash receipts and payment and we make financial decisions according to our own business needs.

During the Track Record Period, there were certain amounts due to and due from our Controlling Shareholders and their respective associates, details of which are set out in note 20 and 25 of Appendix I to this prospectus.

Amounts due to our Controlling Shareholders and their respective associates, apart from those arising from the ordinary and usual course of business, amounted to RMB20.0 million, RMB224.7 million, RMB292.6 million and RMB152.2 million as of December 31, 2017, 2018, 2019 and September 30, 2020, respectively. Such amounts were due to Mr. KX Chen, Mr. KC Chen and related companies under common control by our Controlling Shareholders. All such non-trade related payables were settled in January 2021.

Our Directors confirm that there were no outstanding loans or borrowing from our Controlling Shareholders and their respective associates as of the Latest Practicable Date. We have independent access to third party financing and our Group does not rely on the Controlling Shareholders and/or their associates by virtue of their provision of financial assistance. Our Directors believe that we are capable of obtaining financing from external sources without reliance on the Controlling Shareholders.

During the Track Record Period, certain of our distributors entered into financing arrangements with Baokai Daorong, an associate of our Controlling Shareholders, which is primarily engaged in the business of providing trade financing services. Pursuant to the agreements entered into by our distributors with Baokai Daorong, Baokai Daorong provided financing services to certain of our distributors in return for interest payments. Notwithstanding the financing arrangements, our distributors are not obliged to engage Baokai Daorong and are allowed to obtain financial services from other financing providers based on their own financing requirements, and we do not receive from, or pay to, Baokai Daorong, any fees in connection with their provision of financing and distributors. Some of our suppliers also entered into financing arrangements with Baokai Daorong during the Track Record Period, and we were not involved in their respective financing arrangements with Baokai Daorong.

Our Directors are of the view that the financing arrangements involving Baokai Daorong do not give rise to any reliance or financial independence issues, on the basis that (a) our distributors and suppliers make their own choices as to whether they require financing for their business, and on the provider of such financing, (b) such financing is widely available in the market and is widely used; and (c) we have terminated the arrangement under the distributors financing so we are no longer involved with Baokai Daorong on any financing arrangements. Please refer to section headed "Business – Omni-channel sales network – Relationship with Distributors", "Business – Raw materials, Packaging materials and Suppliers – Suppliers" and "Financial Information – Related party transaction" for further details.

Based on the above, save for the financing arrangement with our suppliers and distributors under section headed "Business – Omni-channel sales network – Relationship with Distributors", "Business – Raw materials, Packaging materials and Suppliers – Suppliers" and "Financial Information – Related party transaction", our Directors believe that we have the ability to operate independently of the Controlling Shareholders and their respective associates from a financial perspective and are able to maintain financial independence from the Controlling Shareholders and their respective associates.

We confirm that there is no financial guarantee/assistance provided by our Controlling Shareholders to our Group and vice versa as of the Latest Practicable Date, nor do we have any share pledges or guarantees provided by our Controlling Shareholders and their respective close associates on our borrowing.

CONFIRMATION

Saved as disclosed above and in the section entitled "Directors, Senior Management and Employees", as of the Latest Practicable Date, none of our Controlling Shareholders or our Directors was engaged or had interest in any business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there will be adequate corporate governance measures in place to manage conflicts of interest and competition after Listing. In particular, we will implement the following measures:

(a) to ensure our Company's independence, none of the Directors and senior management of our Company will be allowed to take the position as a director or senior management in the retained business, other than our Chairman, Ms. Chen Danxia, and our non-executive Director, Mr. Chen Zexing;

(b) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(c) each Director is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit of our Company and the Shareholders as a whole and does not allow any conflict of interests between his/her duties as a Director and his/her personal interests. A Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and abstain from voting at the board meetings on matters in which such Director or his associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(d) where a Board meeting is to discuss a matter that gives rises to a conflict with the Retained Business, including any matters relating to connected transactions with the Retained Business, any conflicted Directors will abstain from voting and will not be counted in the quorum of the relevant Board meeting and only our Executive Directors, Mr. Xie Rusong and Mr. Zhong Xuyi, and all three independent non-executive Directors, who do not have any role with the Retained Business, will be entitled to vote and decide on such issues;

(e) our Board (including our independent non-executive Directors) will monitor the potential conflict of interest of Directors and our Directors have to submit confirmation to the Board disclosing details of any interests in competing businesses in any interim or annual reports to be issued by our Company;

(f) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in "Directors, Senior Management and Employees – Directors – Independent Non-executive Directors";

(g) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with a Controlling Shareholder or any of his/her/its associates, our Company will comply with the applicable Listing Rules. The Retained Business has undertaken to provide all information which is necessary for the annual review of the continuing connected transactions to be conducted by the independent non-executive Directors;

(h) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and the Controlling Shareholders and/or the Directors on the other hand, the Controlling Shareholders and/or the Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either through its annual report or by way of announcements;

(i) our independent non-executive Directors may engage independent professional adviser(s) (such as industry experts) in appropriate circumstances at our Company's costs;

(j) our audit committee shall be responsible for overseeing the implementation of the above measures; and

(k) we have appointed HeungKong Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

Further, any transaction that is proposed between our Company and the Controlling Shareholders and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent Shareholders' approval requirements.

We have entered into a number of agreements with our connected persons set out more particularly below. The transactions disclosed in this section will constitute our continuing connected transactions under Chapter 14A of the Listing Rules upon Listing.

CONNECTED PERSONS

We have entered into certain transactions which will constitute our continuing connected transactions following the Listing with the following connected person:

Name	Connected Relationship
Mr. KX Chen, Mr. KC Chen, Ms. Li and Ms. Ma	Our Controlling Shareholders
Guangzhou Liby, Xinxiang Liby, Siping Liby	A company that is ultimately wholly-owned by Mr. KX Chen and Mr. KC Chen
Guangdong Liby Washing, Shanghai Liby, Chengdu Liby, Nanjing Liby, Shanghai Cogi, Sichuan Liby	A company that is directly wholly-owned by Mr. KX Chen and Mr. KC Chen
Liby Rihua	A company in which Mr. KX Chen and Mr. KC Chen ultimately holds more than 30.0%
Maanshan Liby, Panyu Liby	A company that is ultimately wholly-owned by Mr. KX Chen, Mr. KC Chen, Ms. Ma and Ms. Li
Tianjin Liby Sales	A company in which Mr. KC Chen ultimately holds more than 30.0%

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Transactions	Applicable listing Rules	Waiver sought	Proposed annual cap for the year ending December 31,		
			2021	2022	2023
				(RMB'000)	
Partially exempt continuing connected transactions					
Property Services Framework Agreement	14A.35, 14A.76(2)(a)	Announcement	8,500	9,300	9,400
Ancillary Service Agreement	14A.35, 14A.76(2)(a)	Announcement	35,600	38,200	44,700
Non-exempt continuing connected transactions					
Sales Framework Agreement	14A.34, 14A.35, 14A.36	Announcement and independent shareholders' approval requirements	437,700	512,000	639,800
Outsourcing Framework Agreement	14A.34, 14A.35, 14A.36	Announcement and independent shareholders' approval requirements	279,900	337,500	410,100

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Property Services Framework Agreement with Mr. KX Chen and Mr. KC Chen

Parties: Our Company (for itself and on behalf of its subsidiaries) and Mr. KX Chen and Mr. KC Chen (for themselves and on behalf of their associates).

Principal terms: We entered into a property services framework agreement (the "**Property Services Framework Agreement**") dated February 19, 2021 with Mr. KX Chen and Mr. KC Chen, pursuant to which we may lease properties and receive property management services from the associates of Mr. KX Chen and Mr. KC Chen for office premises, warehouses and production plants. The principal terms of the Property Services Framework Agreement are as follow:

- Associates of Mr. KX Chen and Mr. KC Chen will lease to us properties and provide to us property management services we need for our business operations, including office premises, warehouses and production plants;
- our Group and associates of Mr. KX Chen and Mr. KC Chen will enter into separate lease and property management services agreements which will set out specific terms and conditions according to the principles in the Property Services Framework Agreement;

Pricing policy: The rentals shall be determined with reference to the then market price of properties of comparable size, furnishings and fittings, and use in the vicinity which are available to independent third parties as agreed by both parties after arm's length negotiation. The property management fees shall be determined as agreed by both parties after arm's length negotiations with reference to the then market price. The market price of properties will be obtained by us through public information available.

Term: The Property Services Framework Agreement is valid from a term of three years commencing from the Listing Date. The term of the separate underlying agreements entered into under the Property Services Framework Agreement shall be for a maximum of three years. The relevant lease may be renewed upon mutual agreement by both parties after arm's length negotiations.

Existing property services: Based on the property lease and property management services agreements entered into between our Group and associates of Mr. KX Chen and Mr. KC Chen which are subject to the Property Services Framework Agreement, our Group leased six properties from associates of Mr. KX Chen and Mr. KC Chen with a total GFA of 15,396.62 sq.m. as of the Latest Practicable Date. Such properties are located in Guangzhou and Shanghai and are mainly used as office premises, warehouses and production plants. For details of the existing leases, please refer to the section headed "Business – Properties" in this prospectus.

Historical Transaction Amounts and Annual Caps

The following table sets out the annual rent and property management expense paid by our Group to associates of Mr. KX Chen and Mr. KC Chen during the Track Record Period and the expected maximum annual fee payable for each of the three years ending December 31, 2023:

Historical Transaction Amount (RMB'000)				Annual Cap (RMB'000)		
Year ended December 31,			Nine months ended September 30,	Year ending December 31,		
2017	2018	2019	2020	2021	2022	2023
335	1,266	2,745	4,192	8,500	9,300	9,400

These annual caps were determined with reference to the amounts payable under the above agreements which were arrived at after arm's length negotiation between the parties by making reference to (i) the historical transaction amounts during the Track Record Period; (ii) the prevailing market rate of the rentals and/or property management fees of comparable properties of similar size and with similar attributes in the vicinity; (iii) expected increase in rentals and property management fees of up to 10% per annum for four existing rental properties after arm's length negotiation for the three years ending 2023; and (iv) the rentals and/or property management fees of expected newly leased properties from associates of Mr. KX Chen and Mr. KC Chen in the three years ending December 31, 2023 including two new properties leased with a total gross floor area of approximately 571.3 square meters as office in April 2020 and three new properties to be leased as offices and production facilities with a total estimated gross floor area of approximately 2,730 square meters in 2021.

Reasons for the transactions

Our Group started to lease and use the abovementioned properties for its business operations prior to and/or throughout the Track Record Period. Any relocation may cause unnecessary disruption to our business operation and incur unnecessary costs.

Listing Rules Implications

As at least one of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the above annual caps is expected to be more than 0.1% but all such percentage ratios are expected to be less than 5%, the transactions under the above Ancillary Service Agreement will be subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules upon the Listing.

2. Ancillary Service Agreement with Liby Group

During the Track Record Period, Liby Group has been providing certain ancillary services including sales support services, such as implementation of our sales promotion plan and managing store display at our points of sales, management of warehouse services, and IT services, such as implementation and maintenance of our IT servers and systems, to our Group. To better regulate our relationship with Liby Group, we have entered into a service agreement (the "**Ancillary Service Agreement**") with Liby Group in order to govern the provisions of services by Liby Group to our Company. The principal terms of this Ancillary Service Agreement are:

Date	:	February 19, 2021
Purchaser	:	Our Company (for itself and on behalf of its subsidiaries)
Seller	:	Liby Group (on behalf of its subsidiaries and associates)
Term	:	Three years from the date of Listing
Pricing	:	For sales support services, the service fee payable by our Group to Liby Group is determined with reference to the actual sales support expenses incurred by the Liby Group in providing such services plus a reasonable profit margin of approximately 10%, which is comparable to margins charged by independent third parties that provide similar sales support services. The margins charged by independent third parties are based on market information obtained from our industry consultant.

For warehouse services, the service fee payable by our Group to Liby Group is determined with reference to the actual warehouse costs incurred by Liby Group and in proportion to the storage space occupied by our Company over the total area of the relevant warehouses.

For IT services, the service fee payable by our Group to Liby Group is determined in accordance to our actual usage of the relevant software procured by Liby Group and the time rates of the IT technicians of Liby Group in providing such services with reference to time rates charged by independent third parties that provide similar IT services which are based on public information available and/or price quotes obtained by us.

Pursuant to the Ancillary Service Agreement, Liby Group has agreed to provide us with a report on the actual cost incurred by them in relation to their provision of ancillary services of the relevant financial year for our verification of its cost base where applicable. When and where required, we will also seek quotations from other service providers that are independent third parties to make sure the terms that we obtain from Liby Group shall be on normal commercial terms. Our independent non-executive Directors will regularly review and reassess the service fee charged by Liby Group annually.

Payment terms : Payable annually in arrears

Historical Transaction Amounts and Annual Caps

The table below set out the historical amounts paid by us during the Track Record Period and the expected maximum aggregate service fee payable for each of the three years ending December 31, 2023 which was calculated based on (i) the historical transaction amount for the three years ended December 31, 2019; (ii) the estimated cost incurred by Liby Group in providing the ancillary services; and (iii) margin and/or rates charged by independent third parties that provide similar services:

Historical Transaction Amount (RMB'000)				**Annual Cap (RMB'000)**		
Year ended December 31,			**Nine months ended September 30,**	**Year ending December 31,**		
2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
99,938	44,702	45,736	28,027	35,600	38,200	44,700

Reasons for the transactions

We consider that the outsourcing of services under the Ancillary Service Agreement will not have any material impact on our business or operation. Our Directors believe that we would be able to save the costs of maintaining staff and assets in providing such services and reduce our needs to make capital investment in such assets.

Our Directors are of the view that the Ancillary Service Agreement has been arrived at after arms' length negotiations and that the terms are fair and reasonable, on normal commercial terms and are in the interest of our Company and our Shareholders as a whole.

Listing Rules Implications

As at least one of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the above annual caps is expected to be more than 0.1% but all such percentage ratios are expected to be less than 5%, the transactions under the above Ancillary Service Agreement will be subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules upon the Listing.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Sales Framework Agreement with Liby Group

We sell our products to Guangzhou Liby, Guangdong Liby Washing, Shanghai Liby, Tianjin Liby Sales, Chengdu Liby and Nanjing Liby, subsidiaries or associates of Liby Group ("**Connected Distributors**") in the ordinary course of our business. To better regulate our relationship with these connected persons, we have entered into a sales framework agreement with Liby Group on normal commercial terms (the "**Sales Framework Agreement**"). Pursuant to the Sales Framework Agreement, there is no minimum purchase commitment imposed by us on Liby Group. The principal terms of the framework agreement are:

Date	:	February 19, 2021
Seller	:	Our Company (for itself and on behalf of its subsidiaries)
Purchaser	:	Liby Group (on behalf of its subsidiaries and associates)
Term	:	Three years from the date of Listing
Risk	:	The risk of the products is passed to the purchaser upon delivery. Products with defects as confirmed by both parties or otherwise agreed by both parties can be returned.

Pricing	:	We price our sales to Liby Group based on its selling price to its customers under reasonable margin taking into account (i) the direct and indirect cost, including logistics and distribution expenses, salary and wages, information fee, display fee and/or annual maintenance fee, incurred by Liby Group dealing with key accounts and other customers, and (ii) with reference to margins for products of comparable quality, specifications and quantities charged by independent third party distributors that mainly deal with key accounts. We provide recommended retail price for customers of Liby Group, such as key accounts. The margins charged by independent third party distributors that mainly deal with key accounts are based on market information obtained from our industry consultant. The gross profit margins of the sales to Liby Group for the three years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 were approximately 27.1%, 32.4%, 36.3% and 40.9%, respectively, which were lower than the gross profit margins of our Group's sales to independent third party offline distributors for the respective periods. The difference in margin in relation to our sales to Liby Group was to reflect the additional direct and indirect cost borne by Liby Group to conduct sales with its key accounts as set out above, which are the usual fees included in sales agreements between Liby Group and these key accounts. Our independent non-executive Directors will regularly review and reassess the sales price of our products sold to Liby Group annually.
Payment terms	:	We will provide a monthly invoice to Liby Group, and Group shall make payment via wire transfer within 45 days from the first day of each month.
Sales target and Incentive scheme	:	We do not generally set minimum purchase requirement or sales target for Liby Group, and we do not provide any incentive scheme for them.

Historical Transaction Amounts and Annual Caps

The table below sets out the historical transaction amounts paid by Liby Group during the Track Record Period and the expected maximum aggregate transaction amounts for each of the three years ending December 31, 2023:

			Historical Transaction Amount (RMB'000)				Annual Cap (RMB'000)		
	Purchaser (our connected		Year ended December 31,			Nine months ended September 30,	Year ending December 31,		
Seller	person)	Main Products	2017	2018	2019	2020	2021	2022	2023
Our Company	Connected Distributors	Household care and personal care products	220,919	262,567	276,695	292,436	437,700	512,000	639,800

The above aggregated annual caps were calculated by aggregating the expected maximum transaction amounts in relation to the sale of products between each of subsidiaries or associates of Liby Group and our Group for the three years ending December 31, 2023. Such individual annual caps were in turn determined with reference to (i) the historical amount of payments received by us for the sales of our products and the percentage of revenue generated from Connected Distributors in proportion to our total revenue; and (ii) the projected sales volume for the three years ending December 31, 2023 after taking into account the anticipated growth across our customer base through our continuous product upgrade and increasing consumer awareness towards household and personal care since COVID-19 pandemic.

Reasons for the transactions

We entered into the Sales Framework Agreement with Liby Group in order to leverage on Liby Group's distribution network, so that we could have access to approximately 48 key accounts including leading national and regional hypermarkets, supermarkets, department stores and convenience store operators. For further details, please refer to section headed "Business – Omni-channel Sales Network – Key Accounts".

The transactions contemplated under the Sales Framework Agreement are beneficial for the growth of our business, as distribution through the sales channels of Liby Group will allow us to utilize their sizeable base of customers and help increase the coverage and demand of our products in the market. Meanwhile, Liby Group will be able to increase and diversify their product offerings and revenue source. Given the established relationship between our Company and Liby Group, it is mutually beneficial and economical for us to sell our products to Liby Group. Our Directors believe that the sales to Liby Group will provide us with stable source of income and entering into the Sales Framework Agreement is in the interests of our Group and our Shareholders as a whole. Please refer to section headed "Relationship with Our Controlling Shareholders – Sales and Outsourcing Arrangements with Associates of our Controlling Shareholders" for further details.

Listing Rules Implications

As at least one of the applicable percentage ratios under the Listing Rules in respect of these annual caps is expected to be more than 5% (other than the profit ratio), the transactions under the Sales Framework Agreement will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon the Listing.

2. Outsourcing Framework Agreement with Mr. KX Chen and Mr. KC Chen

We outsource the production of certain of our products to Xinxiang Liby, Panyu Liby, Maanshan Liby, Siping Liby, Sichuan Liby, Liby Rihua and Shanghai Cogi, associates of Mr. KX Chen and Mr. KC Chen ("**Connected Suppliers**") in the ordinary course of our business. During the Track Record Period, we have outsourced the production of our products to Tianjin Liby Rihua, and we will enter into outsourcing arrangement with Sichuan Liby in 2021. To better regulate our relationship, our Company have entered into an outsourcing framework agreement with Mr. KX Chen and Mr. KC Chen on normal commercial terms ("**Outsourcing Framework Agreement**"). The principal terms of the framework agreement are:

Date	:	February 19, 2021
Purchaser	:	Our Company (for itself and on behalf of its subsidiaries)
Seller	:	Mr. KX. Chen and Mr. KC Chen (for themselves and on behalf of their associates)
Term	:	Three years from the date of Listing
Risk	:	The risk of the products is passed to the purchaser upon delivery.

Pricing : The purchase price payable by us to the Connected Suppliers under the Outsourcing Framework Agreement shall be determined with reference to the production costs of the relevant products plus a profit margin determined through arm's length negotiation with reference to comparable profit margin of independent third party manufacturers in the same industry. The comparable profit margin of independent third party manufacturers in the same industry are based on information we obtained from our independent third party manufactures in our daily operations. We would run a price quote process to check price quotes from one to three independent third party qualified suppliers for the products of same specification and quality. Provided that both the Connected Suppliers and independent third party suppliers are able to deliver products of similar quality within our specified timeframe, if a lower price exists, we would either engage independent third party supplier to carry out the work or negotiate with the Connected Suppliers for price adjustments accordingly. Our independent non-executive Directors will regularly review and reassess the outsourcing payments made to the Connected Suppliers annually.

Payment terms : The Connected Suppliers will provide a monthly invoice to us, and we shall make payment via wire transfer within 45 days from the first day of each month.

Historical Transaction Amounts and Annual Caps

The table below sets out the historical transaction amounts paid by us during the Track Record Period and the expected maximum aggregate transaction amounts for each of the three years ending December 31, 2023:

			Historical Transaction Amount (RMB'000)				Annual Cap (RMB'000)		
			Year ended December 31,			Nine months ended September 30,	Year ending December 31,		
Purchaser	Seller (our connected person)	Main Products	2017	2018	2019	2020	2021	2022	2023
Our Company	Connected Suppliers	Household care, personal care and pet care products	171,078	131,221	202,025	160,886	279,900	337,500	410,100

The above aggregated annual caps were calculated by aggregating the expected maximum transaction amounts in relation to the procurement of products between each of the Connected Suppliers and our Company (on behalf of itself and its subsidiaries) for the three years ending December 31, 2023. Such individual annual caps were in turn determined with reference to (i) the historical amount of payments paid by us for the procurement of our products and the percentage of outsourcing costs incurred from purchasing from the Connected Suppliers in proportion to our total outsourcing costs; and (ii) the expected demand for our products for the three years ending December 31, 2023 based on the anticipated expansion of our Group's business through our continuous product upgrade and due to increasing consumer awareness towards household and personal care since COVID-19 pandemic.

Reasons for the transactions

Given our history of business relationship, the Connected Suppliers have supplied us with certain products, such as household care and personal care and pet care products, in the past. Taking into account (i) the Connected Suppliers' experience and reputation in the industry; (ii) the Connected Suppliers' track record in supplying the products to us, particularly their reliability in delivery of our orders in a timely manner, their product quality and their adequacy in production capacity; and (iii) the Connected Suppliers' in depth understanding of our product requirements, our Directors believe that they can provide the required products that suit our needs most appropriately and that it will be in the best interests of our Company and our Shareholders to enter into the Outsourcing Framework Agreement. The price and quality of deliverables of the Connected Suppliers will be under constant review, and in the event that we are able to source a supplier who is able to deliver better quality products at a lower price, we will consider replacing the Connected Suppliers with such supplier. Please refer to section headed "Relationship with Our Controlling Shareholders – Sales and Outsourcing Arrangements with the Associates of our Controlling Shareholders" for further details.

Listing Rules Implications

As at least one of the applicable percentage ratios under the Listing Rules in respect of these annual caps is expected to be more than 5% (other than the profit ratio), the transactions under the Outsourcing Framework Agreement will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon the Listing.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

The transactions described under the paragraph headed "Partially Exempt Continuing Connected Transactions" in this section constitute our continuing connected transactions under the Listing Rules, which are exempt from the independent Shareholders' approval requirements but subject to the reporting, annual review, announcement requirements of the Listing Rules.

The transactions described under the paragraph headed "Non-Exempt Continuing Connected Transactions" in this section constitute our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements of the Listing Rules.

We expect the (i) non-exempt continuing connected transactions; and (ii) partially exempt continuing connected transaction as disclosed above were entered into prior to the Listing Date and have been disclosed in this prospectus and on the basis of such disclosure, our Directors consider that strict compliance with the announcement and/or independent shareholders' approval requirements (as applicable) under the Listing Rules in respect thereof immediately after the Listing would be unduly burdensome and would impose unnecessary administrative costs on our Company. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement and/or independent Shareholders' approval requirements (as applicable) in respect of these continuing connected transactions. We will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of these continuing connected transactions. Our Directors confirm that, for all non-exempt continuing connected transactions to be entered into by our Group (if any), our Company will comply with the applicable Listing Rules, unless a separate application for waiver is made for the dispensation with the applicable announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS' CONFIRMATION

Our Directors (including our independent non-executive Directors) are of the view that the above continuing connected transactions, which have been and will be entered into in the ordinary and usual course of our business and on normal commercial terms, are fair and reasonable and in the interests of our Company and our Shareholder as a whole. They are also of the view that the proposed annual caps for such transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

JOINT SPONSORS' CONFIRMATION

The Joint Sponsors are of the view that the continuing connected transactions described above for which waiver is sought are on normal commercial terms and have been entered into in the ordinary and usual course of business of our Group; and that the terms of the transactions and the proposed annual caps of these continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized share capital of our Company as of the Latest Practicable Date and the issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering (without taking into account the exercise of the Over-allotment Option):

Authorized share capital

	Shares	Total nominal value
		US$
As of the Latest Practicable Date	50,000 shares of US$1.00 each	50,000
Immediately following Completion of the Global Offering	250,000,000,000 shares of US$0.0000002 each	50,000

The following is a description of the issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Global Offering (without taking into account the exercise of the Over-allotment Option):

Issued share capital

Shares	Description of Shares	Total nominal value
		US$
1,000,000,000	Shares in issue as of the date of this prospectus	200
333,333,500	Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised)	66.6667
1,333,333,500	**Total**	266.6667

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

At least 25% of the total issued share capital of our Company must at all times be held by the public. The 333,333,500 Offer Shares represent not less than 25% of the issued share capital of our Company upon Listing.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may, subject to the provisions of the Companies Act, reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For more details, please see "Summary of the Constitution of our Company and Cayman Company Law – 2. Articles of Association – (a) Shares – (iii) Alteration of capital" in Appendix III.

Pursuant to the Cayman Companies Act and the terms of our Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. For more details, please see "Summary of the Constitution of our Company and Cayman Company Law – 2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares" in Appendix III.

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Subject to the conditions stated in "Structure of the Global Offering – Conditions of the Global Offering", our Directors have been granted general unconditional mandates to issue and repurchase our Shares.

For further details of these general mandate, please see the section headed "Statutory and General Information – A. Further Information About the Group – 3. Resolutions in Writing of the Shareholders of Our Company Passed on February 19, 2021" in Appendix IV to this prospectus.

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have an interest or a short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

		As of the Latest Practicable Date	Immediately after the Global Offering (assuming the Over-allotment Option is not exercised)(1)	
Name	**Nature of interest**	**Number of Shares(2)**	**Number of Shares**	**Approximate percentage of interest in our Company**
Ms. Ma(3)	Interest in a controlled corporation/interest of spouse	198	990,000,000	74.25%
Ms. Li(4)	Interest in a controlled corporation/interest of spouse	198	990,000,000	74.25%
Mr. KX Chen(4)	Interest in a controlled corporation/interest of spouse	198	990,000,000	74.25%
Mr. KC Chen(3)	Interest in a controlled corporation/interest of spouse	198	990,000,000	74.25%
Cheerwin Global BVI(5)	Beneficial interest	198	990,000,000	74.25%

Notes:

(1) The calculation is based on the total number of 1,333,333,500 Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

(2) All interests stated are long positions.

(3) Ms. Ma and Mr. KC Chen are in a spousal relationship. By virtue of the SFO, they are deemed to be interested in all the Shares held by each other.

(4) Ms. Li and Mr. KX Chen are in a spousal relationship. By virtue of the SFO, they are deemed to be interested in all the Shares held by each other.

(5) The entire issued share capital of Cheerwin Global BVI is beneficially owned by Ms. Ma, Ms. Li, Mr. KC Chen and Mr. KX Chen who are deemed to be interested in the Shares held by Cheerwin Global BVI pursuant to SFO.

Save as disclosed in this section and in the section headed "Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders – Disclosure of Interests" in Appendix IV to this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

BOARD OF DIRECTORS

The following table sets out certain information in respect of our Directors:

Name	Age	Position(s)	Date of Appointment	Date of joining our Group	Roles and responsibilities	Relationship with other Directors or senior management or Controlling Shareholders
Chen Danxia (陳丹霞)	41	Executive Director, chairman of our Board and Chief Executive Officer	September 27 2018	January 2016	Overseeing the overall management and business operation, and formulating strategies and operational plans of our Group	Daughter of Mr. KC Chen and Ms. Ma; and cousin of Mr. Chen Zexing
Xie Rusong (謝如松)	54	Executive Director and vice president	August 25 2020	December 2008	Overall management of supply chain of our Group	None
Zhong Xuyi (鍾胥易)	40	Executive Director and Chief Financial Officer	August 25 2020	December 2010	Overall management of finance and information technology of our Group	None
Chen Zexing (陳澤行)	31	Non-executive Director	August 25 2020	August 2020	Providing strategic advice and guidance on the business development of our Group	Son of Mr. KX Chen and Ms. Li; and cousin of Ms. Chen Danxia
De-Chao Michael Yu (俞德超)	57	Independent non-executive Director	February 19, 2021	February 19, 2021	Providing independent judgment and advice to our Board	None

Name	Age	Position(s)	Date of Appointment	Date of joining our Group	Roles and responsibilities	Relationship with other Directors or senior management or Controlling Shareholders
Guo Sheng (郭盛)	49	Independent non-executive Director	February 19, 2021	February 19, 2021	Providing independent judgment and advice to our Board	None
Chan Wan Tsun Adrian Alan (陳弘俊)	42	Independent non-executive Director	February 19, 2021	February 19, 2021	Providing independent judgment and advice to our Board	None

DIRECTORS

The Board currently consists of seven Directors, comprising three executive Directors and one non-executive Director and three independent non-executive Directors. The functions and duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating our annual financial budget and financial statements, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association, and all applicable laws and regulations, including the Listing Rules.

Executive Directors

Ms. Chen Danxia (陳丹霞), aged 41, is an executive Director, the chairman of our Board and the Chief Executive Officer of our Company. She has more than 14 years of experience in the consumer goods industry. With her extensive experience in operation management and corporate strategic development in the consumer goods and cosmetic products industry, she is principally responsible for overseeing the overall management and business operation and formulating strategies and operational plans of our Group. Ms. Chen holds directorships and/or other positions in our major operating subsidiaries including Guangzhou Cheerwin, Cheerwin Biotechnology, Panyu Cheerwin, Anfu Cheerwin, Guangzhou Yuncheng, Leda Automobile, Shanghai Runzhisu, Guangzhou Tongli, Shanghai Cheerwin and Guangzhou Yuntuo.

Ms. Chen was appointed a director of Guangzhou Liby in January 2016, and has assumed responsibility for overseeing the overall strategic management of the Cheerwin Business Division since then. As Ms. Chen is the daughter of Mr. KC Chen and Ms. Ma, our Controlling Shareholders, and part of the Chen family, she occupies various non-executive roles in other companies owned by the Chen family. Details of Ms. Chen's directorships in Kysun Holdings, Guangzhou Liby and Shanghai Cogi are set out in the section headed "Relationship with Our Controlling Shareholders" in this prospectus.

Ms. Chen served as an independent non-executive director of Babytree Group, a maternity and child focused community platforms provider listed on the Stock Exchange (stock code: 1761), from November 2018 to June 2020. From February 2016 to February 2018, Ms. Chen served as a director in Baokai Daorong and from June 2008 to December 2013, Ms. Chen has served as the general manager at Shanghai Cogi. Ms. Chen as the chairman of Shanghai Cogi in her non-executive capacity since January 2014. Baokai Daorong and Shanghai Cogi are businesses owned by the Chen family. Ms. Chen has been a director at Ousia Australia Pty. Ltd since May 2009.

Since January 2019, Ms. Chen has been the vice president of Zhejiang Hupan Shanqi Charity Foundation (浙江省湖畔善契公益基金會) and assisted Jack Ma Foundation (馬雲公益基金會) to build the first rural boarding school model in China. The was recognized as the Guangzhou Municipal March 8th Red-Banner Pacesetter (廣州市三八紅旗手) of 2017 by Guangzhou Women's Federation (廣州市婦女聯合會). In July 2020, Ms. Chen was appointed as Vice President of Brand Alliance (品牌聯盟副主席) for the 25th China Beauty Expo (中國美容博覽會).

She obtained master of commerce with honors in marketing and strategic management from the University of Sydney, Australia, in October 2006. Ms. Chen was enrolled in Hupan School of Entrepreneurship, a corporate business school founded by Mr. Jack Ma, in March 2017.

Mr. Xie Rusong (謝如松), aged 54, is an executive Director and our vice president, and is primarily responsible for the overall management of our Group's supply chain. Mr. Xie currently holds directorships and/or other positions in our major operating subsidiaries including Cheerwin Biotechnology, Panyu Cheerwin, Anfu Cheerwin, Guangzhou Yuncheng, Leda Automobile and Guangzhou Tongli.

Mr. Xie has more than 30 years of experience in the fast moving consumer goods industry including experience related to sales, brand management and supply chain. He served as the general manager of household business division of Guangzhou Liby from December 2008 to April 2018, and has been responsible for overseeing the overall management of the Cheerwin Business Division from December 2008. He was officially appointed as director and general manager of Cheerwin Biotechnology in December 2010. From March 2005 to December 2008, Mr. Xie served as the sales manager in Jiangsu Tongda Co., Ltd. (江蘇同大股份有限公司), a chemicals manufacturing company, responsible for managing the sales channels of the company. From February 1990 to December 2003, Mr. Xie worked at Shanghai Johnson Ltd. (上海莊臣有限公司), an international household chemicals company, for almost 14 years, where his last position was sales manager. From October 1987 to January 1990, Mr. Xie served as a production manager in Shanghai Duote Paper Co., Ltd. (上海多特紙品有限公司), a paper manufacturing company.

He obtained his master's degree in business administration from Fudan University (復旦大學), the PRC, in June 2019.

Mr. Zhong Xuyi (鍾胥易), aged 40, is an executive Director and our Chief Financial Officer, and is primarily responsible for overall management of finance and information technology of our Group. He currently holds other positions in our major operating subsidiaries including Cheerwin Biotechnology, Anfu Cheerwin and Panyu Cheerwin.

Mr. Zhong has more than 17 years of experience in the consumer goods industry. He joined Liby Group in July 2003 and assumed responsibility for finance management of the Cheerwin Business Division in December 2010. His last position at Liby Group was deputy director of taxation and capital division. He was officially transferred to our Group in January 2018.

Mr. Zhong received his bachelor's degree in accounting from Guangdong University of Finance & Economics (廣東財經大學) (formerly known as Guangdong Commercial College (廣東商學院)), the PRC, in June 2003. He later obtained his master degree in accounting from Sun Yat-sen University (中山大學), the PRC, in June 2010. He also obtained certificate of completion of modern business administration course from Tsinghua University (清華大學), the PRC, in June 2007.

Mr. Zhong obtained the Certified Internal Auditor (國際註冊內部審計師) issued by The Institute of Internal Auditors (國際註冊內部審計師協會) in November 2010.

Non-executive Director

Mr. Chen Zexing (陳澤行), aged 31, joined our Company as a non-executive Director since August 2020, and is primarily responsible for providing strategic advice and guidance on the business development of our Group.

Mr. Chen has been the president and an executive director of Kai Tai Health Pharmaceutical Chain Co., Ltd. (啟泰健康藥業連鎖有限公司) since July 2016, the chairman of Kai Tai Chinese Medicine (Holdings) Co., Ltd (啟泰藥業(集團)有限公司) since September 2018 and became an executive director and general manager at Guangzhou Sulikang Biotechnology Company Limited (廣州素力康生物科技有限公司), pharmaceutical and food product businesses owned by the Chen family in July 2017. Since December 2016, Mr. Chen has been the director of Kysun Holdings. From August 2013 to February 2016, Mr. Chen served as a retail terminal manager in Guangzhou Liby.

Mr. Chen graduated from South China Institute of Software Engineering GU (廣州大學華軟軟件學院), the PRC, with an associate degree in marketing in August 2013.

Independent Non-executive Directors

Dr. De-Chao Michael Yu (俞德超), aged 57, was appointed as an independent non-executive Director of our Company on February 19, 2021. He is primarily responsible for providing independent judgment and advice to our Board. Dr. Yu has been the executive director, chief executive officer and chairman of Innovent Biologics, Inc. (信達生物製藥), a biopharmaceutical company listed on the Stock Exchange (stock code: 1801), since he founded that company in August 2011. He has been serving as an independent non-executive director in Babytree Group (寶寶樹集團), a maternity and child focused community platforms provider listed on the Stock Exchange (stock code: 1761) since June 2018.

Dr. Yu served as an independent director at PharmaBlock Sciences (Nanjing), Inc. (南京藥石科技股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 300725) from December 2015 to May 2018. Previously, he had served as general manager at Chengdu Kanghong Biotech Co., Ltd. (成都康弘生物科技有限公司) from January 2006 to August 2010, prior to which he also worked at Calydon, Inc., Cell Genesys, Inc. and Applied Genetic Technology Corporation.

Dr. Yu obtained his doctor of philosophy degree in genetics from Chinese Academy of Sciences (中國科學院) in 1993 and completed his post-doctoral training in pharmaceutical chemistry in University of California, San Francisco.

Mr. Guo Sheng (郭盛), aged 49, was appointed as an independent non-executive Director of our Company on February 19, 2021. He is primarily responsible for providing independent judgment and advice to our Board. Since October 2010, Mr. Guo has been serving as the chief executive officer in Zhaopin Limited, a recruitment platform provider that was listed on the New York Stock Exchange (stock code: ZPIN) prior to its delisting in September 2017.

From September 2007 to July 2010, Mr. Guo served as a director and general manager in Sinotrans Air Transportation Development Co., Ltd. (中外運空運發展股份有限公司), an air cargo company that was listed on the Shanghai Stock Exchange (stock code: 600270) prior to its delisting in December 2018. From September 2001 to September 2002, he served as the chief executive officer in Prosys Solutions Ltd. From September 1994 to September 2001 and from September 2002 to June 2007, Mr. Guo served in Mckinsey & Company with his last position being a partner.

Mr. Guo received double bachelor's degrees in computer and English for applied and professional use from Shanghai Jiao Tong University (上海交通大學), the PRC, in July 1994. He further received his master's degree in administration from Northwestern University, the United States, in June 1999.

Mr. Chan Wan Tsun Adrian Alan (陳弘俊), aged 42, was appointed as an independent non-executive Director of our Company on February 19, 2021. He is primarily responsible for providing independent judgment and advice to our Board. He has been independent non-executive director Baoxin Auto Group Limited, an automobile dealership company listed on the Main Board of Stock Exchange (stock code: 1293) since November 2011.

Mr. Chan has been the chief financial officer of Sun Ray Capital Investment Corporation since July 2015. He has been the chief financial officer of LabyRx Immunologic Therapeutics Limited since July 2018 and has been the chief financial officer of Lifepans Limited since August 2018. Since 21 October 2019, Mr. Chan has been appointed as an independent non-executive director of Best Linking Group Holdings Limited (stock code: 8617), the shares of which are listed on the GEM of the Stock Exchange. From 2009 to June 2015, he was the chief financial officer of Enviro Energy International Holdings Limited (stock code: 1102), a company whose shares are listed on the Main Board of the Stock Exchange. He has over 15 years of experience in corporate finance. He was an associate director of UOB Asia (Hong Kong) Limited from July 2005 to November 2009. He has also previously worked for the equity capital markets department of DBS Asia Capital Limited from January 2002 to July 2005, the corporate finance department of DBS Vickers Securities from April 2000 to December 2001, and as auditor for a top-tier international accounting firm.

Mr. Chan graduated from the University of New South Wales, Australia with a Bachelor of Commerce degree in Accounting and Finance in April 2000. He has been a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants since June 2006 and November 2009, respectively.

Save as disclosed above, none of our Directors holds any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus. Please refer to the section headed "Statutory and General Information" in Appendix IV to this prospectus for further information about the Directors, including the particulars of their service contracts and remuneration, and details of interests of the Directors in the Shares (within the meaning of Part XV of the SFO). Save as disclosed herein, to the best knowledge and belief of our Directors having made all reasonable inquiries, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other material matter relating to our Directors that needs to be brought to the attention of our shareholders.

SENIOR MANAGEMENT

The following table sets out certain information relating to other members of our senior management team, in addition to Ms. Chen Danxia, Mr. Xie Rusong and Mr. Zhong Xuyi whose details are set out above:

Name	Age	Position(s)	Date of Appointment	Date of joining our Group	Roles and responsibilities	Relationship with other Directors or senior management or Controlling Shareholder
Wang Dong (王冬)	42	Chief Operating Officer and general manager of brand management center	April 2019	July 2012(1)	Overall business operation and brand management of our Group	None
Gao Jixiang (高吉祥)	34	General manager of marketing management center	October 2019	January 2019	Overseeing the marketing management of our Group	None
Yang Yu (楊鈺)	37	General manager of operation management center	September 2018	May 2016	Overseeing human resources and operation management of our Group	None
Ding Jiajia (丁嘉佳)	35	General manager of e-commerce operation center	December 2019	December 2019	Overseeing the e-commerce operation of our Group	None
Shi Xunqin (石訓勤)	47	General manager of investment and financing center	August 2020	January 2006(2)	Overseeing investment and financing related matters of our Group	None

Notes:

(1) Ms. Wang Dong first joined our Group in July 2012 and resigned in November 2016. She re-joined our Group in April 2019 as the general manager of brand management center of our Company.

(2) Mr. Shi Xunqin first joined our Group in January 2006 and resigned in December 2014. He re-joined our Group in August 2020 as the general manager of investment and financing center of our Company.

Our senior management is responsible for the day-to-day management and operation of our business. For biographical details of Ms. Chen Danxia, Mr. Xie Rusong and Mr. Zhong Xuyi, see "– Directors – Executive Directors" in this section. A description of the business experience of each other senior management member is set out below.

Ms. Wang Dong (王冬), aged 42, is our Chief Operating Officer and general manager of our brand management center, and is primarily responsible for overseeing the overall business operation and brand management of our Group. She also serves as the general manager of brand management center in Cheerwin Biotechnology.

Ms. Wang has over 18 years of experience in consumer goods industry. From December 2016 to March 2019, Ms. Wang was the general manager in Megahive Media. From June 2002 to November 2016, Ms. Wang served in Guangzhou Liby with her last position being the deputy general manager of brand management center and director of media communication division. Ms. Wang assumed responsibility for brand management of the Cheerwin Business Division in July 2012. She was officially transferred to our Group in April 2019.

Ms. Wang obtained her dual bachelor's degrees in packaging engineering and business administration from Wuhan Polytechnic University (武漢輕工大學) (formerly known as Wuhan Food Industry College (武漢工業學院)), the PRC, in June 2002. In 2016, Ms. Wang was recognized as the Guangzhou Municipal March 8th Red-Banner Pacesetter (廣州市三八紅旗手) by Guangzhou Women's Federation (廣州市婦女聯合會).

Mr. Gao Jixiang (高吉祥), aged 34, is the general manager of our marketing management center, and is primarily responsible for overseeing the marketing management of our Group. He also serves as the deputy general manager in Shanghai Runzhisu since January 2019.

Mr. Gao has around 13 years of experience in consumer products industry. Prior to joining our Group, he was the director of sales channel development division in Shanghai Cogi where he was responsible for operation management of Rikiso (潤之素) business, from June 2016 to December 2018. Prior to his employment with Shanghai Cogi, from July 2007 to May 2016, Mr. Gao served in Guangzhou Liby with his last position being the retail director of Eastern China region.

Mr. Gao obtained his bachelor's degree in international politics from Sichuan University (四川大學), the PRC, in July 2007.

Mr. Yang Yu (楊鈺), aged 37, is the general manager of our operation management center, and is primarily responsible for overseeing human resources and operation management of our Group. He also serves as the general manager of operation management center in Cheerwin Biotechnology.

Mr. Yang has over 14 years of experience in consumer goods industry. Mr. Yang previously worked in Guangzhou Liby from July 2006 to August 2018 with her last position being director of operation management division. Mr. Yang assumed responsibility of the management of finance budgeting of the Cheerwin Business Division in May 2016 before officially transferring to our Group.

Mr. Yang obtained her bachelor's degree in accounting from Hunan University of Technology and Business (湖南工商大學) (formerly known as Hunan Business College (湖南商學院)), the PRC, in June 2006.

Ms. Ding Jiajia (丁嘉佳), aged 35, is the general manager of our e-commerce operation center, and is primarily responsible for overseeing the e-commerce operation of our Group.

Prior to joining our Group in December 2019, Ms. Ding served in Alibaba Group Holding Limited, an e-commerce company listed on the Stock Exchange (stock code: 9988) and the New York Stock Exchange (stock code: BABA) as an industry expert from August 2010 to November 2019.

Ms. Ding obtained her bachelor's degree in animation from Zhejiang Gongshang University (浙江工商大學), the PRC, in July 2008.

Mr. Shi Xunqin (石訓勤), aged 47, is the general manager of our investment and financing center, and is primarily responsible for overseeing investment and financing related matters of our Group.

From June 2018 to August 2020, Mr. Shi served as the general manager of investment and capital operation division in Kysun Holdings. From January 2015 to June 2018, Mr. Shi was the managing director in Baokai Daorong, where he was responsible for acquisition and equity investment business unit. From June 2016 to June 2018, He served as the general manager in Guangzhou Zhanze Investment Management Co., Ltd. (廣州展澤投資管理有限公司). From February 2004 to December 2014, Mr. Shi served in Guangzhou Liby with his last position being deputy general manager of financial and capital operation center. During his employment with Guangzhou Liby, Mr. Shi assumed responsibility of corporate finance matters of the Cheerwin Business Division in January 2006 before officially transferring to our Group in August 2020.

Mr. Shi obtained his bachelor's degree in chemical engineering from Huaqiao University (華僑大學), the PRC, in July 1997 and obtained his master's degree in business administration from Sun Yat-sen University (中山大學), the PRC, in June 2004.

JOINT COMPANY SECRETARIES

Ms. Leung Shui Bing (梁瑞冰), aged 43, is a joint company secretary of our Company. Ms. Leung is a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider). She has over 15 years of experience in the company secretarial field. Ms. Leung obtained a bachelor's degree in Business and Management Studies (Accounting and Finance) from University of Bradford and a master's degree in Corporate Governance from The Open University of Hong Kong. She has been admitted as an associate member of the Hong Kong Institute of Chartered Secretaries since December 2017 and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom since December 2017.

Ms. Wang Dong (王冬), aged 42, is a joint company secretary of our Company. For biographical details of Ms. Wang, please see "– Senior Management" in this section.

BOARD COMMITTEES

Audit Committee

The Company established an audit committee in compliance with Rules 3.21 to 3.23 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code set forth in Appendix 14 to the Listing Rules. The primary duties of our audit committee are to review, supervise and approve our financial reporting process and internal control system and to provide advice and comments to our Board. Members of the audit committee are Mr. Chan Wan Tsun Adrian Alan, Mr. Guo Sheng and Dr. De-Chao Michael Yu. Mr. Chan Wan Tsun Adrian Alan is the chairman of the audit committee.

Remuneration Committee

The Company established a remuneration committee in compliance with Rules 3.25 of the Listing Rules. The remuneration committee reviews and recommends to our Board the remuneration and other benefits paid by us to our Directors and senior management. The remuneration of all our Directors and senior management is subject to regular monitoring by our remuneration committee to ensure that levels of their remuneration and compensation are appropriate. Members of the remuneration committee are Mr. Guo Sheng, Dr. De-Chao Michael Yu and Ms. Chen Danxia. Mr. Guo Sheng is the chairman of the remuneration committee.

Nomination Committee

The Company established a nomination committee with written terms of reference in compliance with Appendix 14 to the Listing Rules. The primary responsibilities of our nomination committee are to consider and recommend to our Board on the appointment and removal of Directors of our Company and to review the structure, size and composition of our

Board and the board diversity policy adopted by our Company on regular basis. Members of the nomination committee are Ms. Chen Danxia, Mr. Guo Sheng and Dr. De-Chao Michael Yu. Ms. Chen Danxia is the chairman of the nomination committee.

BOARD DIVERSITY

To enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to board diversity policy, we seek to achieve board diversity by taking into consideration of various factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service.

Our Directors have a balanced mix of knowledge, skills and experience, including the areas of accounting, asset management, consumer goods and computer industries. They obtained academic degrees in various majors, including business administration, accounting, computer and marketing. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the members of our Board. Furthermore, our Board has a wide range of age, ranging from 31 years old to 54 years old. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to the Board and the management levels. While we recognize that the gender diversity at the Board can be improved, we will continue to apply the principle of appointments based on merits with reference to our board diversity policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members and compliance with relevant codes governing board diversity under the Corporate Governance Code contained in Appendix 14 of the Listing Rules. Our Nomination Committee will review and revisit the board diversity policy and our diversity profile (including gender balance) at least once annually to ensure its continued effectiveness and discuss any revisions that may be required, and recommend any such revisions to our Board for consideration and approval. We will also disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

We are also committed to adopting similar approach to promote diversity, including but not limited to gender diversity, at all other levels of our Company from the Board downwards to enhance the effectiveness of our corporate governance as a whole.

CORPORATE GOVERNANCE

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, our Company does not have a separate chairman and president and the responsibility of both chairman and Chief Executive Officer vest in Ms. Chen. Our Board believes that vesting the responsibilities of both chairman and Chief Executive Officer in the same person has the benefit of ensuring the consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group. Besides, with three independent non-executive Directors out of a total of seven Directors in our Board, there will be sufficient independent voice within our Board to protect the interests of our Company and our Shareholders as a whole. Therefore, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and Chief Executive Officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

As of the Latest Practicable Date, our Directors consider that our Company has fully complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our Directors will review the corporate governance policies of our Group and compliance with the Corporate Governance Code each financial year.

WAIVERS GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please see the section headed "Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up And Miscellaneous Provisions) Ordinance – Management Presence in Hong Kong" in this prospectus.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration our Directors have received (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) for each of the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 was approximately nil, RMB0.49 million, RMB0.77 million and RMB2.20 million, respectively.

The aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind paid to the five highest paid individuals of our Company, including Directors, during each of the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, was approximately RMB2.44 million, RMB3.84 million, RMB4.52 million and RMB5.83 million, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses, payable to our Directors for the year ending December 31, 2021 is estimated to be approximately RMB11.00 million.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of each of the three years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 by the Group to the Directors.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of our Group.

COMPLIANCE ADVISORS

We have appointed HeungKong Capital Limited as our compliance advisors (the "**Compliance Advisors**") upon listing of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will provide advice to us when consulted by us in the following circumstances:

- before the publication of any announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date. This appointment may be subject to extension by mutual agreement.

DISCLOSURE UNDER RULE 8.10 (2) OF THE LISTING RULES

Set out below are interests of our Directors in a business which may compete with our business for the purpose of Rule 8.10 (2) of the Listing Rules as of the Latest Practicable Date.

Name of Director	Name of Company	Interest
Ms. Chen Danxia	Ousia Australia Pty. Ltd (“**Ousia Australia**”)	Beneficial interest in Danxia Chen family trust and directorship
	Liby Group and Shanghai Cogi (collectively the “**Chen’s Family Business**”)	Directorship

Ousia Australia is a Australian cosmetics company principally engaged in the production and sales of beauty and skincare products, such as facial cleanser, facial toner and lotion, sunscreen and eye cream, under the brand name “Glamourflage” and with a business presence primarily in Australia. Ousia Australia has approximately 31 points of sales in Australia, one point of sales in China and four points of sales outside of Australia and China as of September 30, 2020. Those points of sales outside of Australia including the point of sales in China were operated by exclusive authorized distributors as at the Latest Practicable Date. Ousia Australia was acquired by Ms. Chen Danxia as part of her personal investment portfolio. Our Company and Ousia Australia have their own respective boards of directors that function independently of each other. The directorship of Ms. Chen Danxia in Ousia Australia Pty. Ltd is for the purpose of representing her interest on the board level of Ousia Australia. Whilst for the purpose of Rule 8.10(2) of the Listing Rules, Ms. Chen Danxia is regarded as having an interest in a potential competing business, she is a passive investor and is not involved in the day-to-day management of Ousia Australia. The day-to-day management and operations of Ousia Australia are performed by its chief operating officer, brand development manager and supply chain manager based in Australia. As of September 30, 2020, Ousia Australia had approximately eight full-time employees, all of whom were based in Australia.

Our Group and Ousia Australia both manufacture and supply face cream, which only accounted for less than 0.1% of our revenue for the year ended December 31, 2019. Our business and Ousia Australia manufacture and supply face cream with different specifications which target different market segments, and therefore are delineated from, and do not and are not likely to compete directly with each other. Face cream of Ousia Australia have a higher price range than those manufactured by us targeting female customers in their 20s and 30s, whereas face cream manufactured by our Group targets the mass markets including both males and females. For the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2020, the average selling price of the face cream sold by Ousia Australia ranged from RMB200 to RMB500 per 50 grams, while the average selling price of our face cream sold by us ranged from RMB9.9 to RMB18.9 per 100g bottle for the same period.

Ms. Chen Danxia also holds directorships in Liby Group and Shanghai Cogi, part of the Chen family's businesses, which are owned and controlled by our Controlling Shareholders. For details of the competing interests of Ms. Chen Danxia in Liby Group and Shanghai Cogi, please see the section headed "Relationship with Our Controlling Shareholders – Independence from Our Controlling Shareholders – Management Independence" in this prospectus.

Our Company has adopted or will adopt the following corporate governance measures to manage the potential conflict of interests arising from Ms, Chen Danxia's interests in Ousia Australia and the Chen Family's Business, and to protect the interests of our Company:

(a) Ms. Chen Danxia has attended training sessions to reinforce the awareness of her fiduciary duties as a Director which require her to, among other things, act for the benefit and in the best interests of our Company when a potential conflict of interests arises;

(b) our Board will operate in accordance with the Memorandum of Association and the Articles, which require Ms. Chen Danxia to abstain from voting on (nor be counted in the quorum in relation to) any resolution of the Board in respect of any contract, transaction or arrangement in which she or any of her close associates is materially interested unless otherwise permitted by the Articles;

(c) Ms. Chen Danxia will inform the Board of any of her competing business in a timely manner;

(d) our independent non-executive Directors will review the competing interests held by Ms. Chen Danxia on an annual basis and she will provide the relevant information necessary in this connection; and

(e) the decisions on matters reviewed by our independent non-executive Directors will be disclosed in our annual reports.

At the Latest Practicable Date, our Directors did not have any interests in any business, which competes or may compete, directly or indirectly with the Group's business pursuant to Rule 8.10 (2) of the Listing Rules save as described in the section headed "Relationship with Our Controlling Shareholders".

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements as of and for each of the periods ended December 31, 2017, 2018 and 2019, and September 30, 2020, and the accompanying notes included in the Accountant's Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with IFRS. Potential investors should read the Accountants' Report set out in Appendix I to this prospectus in its entirety and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, see "Risk Factors."

OVERVIEW

We are a leading one-stop multi-category household care and personal care platform in China, developing and manufacturing a variety of household care, personal care and pet care products. We have quickly established leading positions in various sub-categories of personal care and pet care categories. According to CIC, we ranked third among domestic companies in China's household care industry in each of the past five years between 2015 and 2019, and fourth among all companies in China's household care industry, with a market share of 6.3% in 2019 in terms of retail sales value.

We are committed to providing consumers with a one-stop lifestyle offering through our focus on the eight pillars to underpin our organizational, operational and business structures, which we believe have delivered our success to date. The eight pillars are Insight, Brand, R&D, Marketing, Sales, Cooperation, Management and Work, under which we operate a fully integrated business process in delivering a one-stop lifestyle offering, from consumer and market research, research and development, procurement and production, to sales and marketing.

We provide consumers with one-stop comprehensive household care, personal care and pet care product offerings, mainly under seven core brands, namely, Vewin (威王), Superb (超威), Babeking (貝貝健), Cyrin (西蘭), Rikiso (潤之素), Naughty Buddy (倔強的尾巴) and Dux (德是), each targeting different aspects of household care demands and specific consumer segments. We believe that with our leading market position, our popular household brands and attractive product offerings, together with our omni-channel distribution network, we are best positioned to capitalize on the strong expected growth opportunities ahead in the household care industry in China.

BASIS OF PRESENTATION

We were incorporated in the Cayman Islands on April 11, 2018. Our consolidated financial statements for the Track Record Period has been prepared in accordance with IFRSs issued by the IASB and the principles of merger accounting for group reorganization. The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each year/period. Please refer to Note 2 to the section headed "Appendix I – Accountants' Report" for details.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our business and historical financial condition and results of operations have been and will continue to be affected by a number of important factors, including but not limited to:

- Consumer demand for our products in China;
- Sales volume and pricing of our products;
- Product mix;
- Introduction of new products;
- Sales and distribution network;
- Costs of raw materials and packaging materials; and
- Seasonality.

Consumer Demand for Our Products in China

Our results of operations are affected by consumer demand for our products in China, which in turn depends in large part on the growth of China's economy and Chinese residents' disposable income. The growth of China's economy and Chinese residents' disposable income contributed to the increase in our sales volume and revenue during the Track Record Period. According to the National Bureau of Statistics of China, Chinese per capita disposable income grew at a CAGR of 8.8% from 2015 to 2019. In the same periods, the per capita annual disposable income grew from RMB22.0 thousand in 2015 to RMB30.7 thousand in 2019. We expect China's GDP and Chinese residents' per capita annual disposable income to continuously increase. Consumer demand for our products is also driven by the growth of the market segments in which we operate. According to CIC, the retail sales value of China's household chemicals market grew at a CAGR of 9.7% from 2015 to 2019, and it is expected to grow at a CAGR of 8.8% from 2019 to 2024.

Our continued commitment to product development and upgrade contributes to consumers' demand for our products. In addition, our omni-sales and distribution network has provided consumers with easy and convenient access to our products. We have also utilized various online e-commerce platforms and social media platforms to cater to the changing shopping preferences of younger consumers.

We believe that consumers' growing awareness in household and personal care, hygiene, and healthy lifestyles, will continue to contribute to the fast growth of our business.

Sales Volume and Pricing of Our Products

Our ability to price our products has been, and will continue to be, important to our business and results of operations. We generally take into account a number of factors, including production costs, market demand, local purchasing power and level of competition to set the price of our products. Although the household care, personal care and pet care segments are fragmented with increased competition among existing market players in China, we believe our leading position in the market segments we operate in China, as a result of our product development, brand recognition, upgrade and product quality, has provided us with a strong pricing power. Our ability to maintain or increase the selling price of our products will largely depend on our ability to compete effectively and differentiate our products through strong brand recognition, product development, omni-channel sales and distribution network, and product portfolio.

During the Track Record Period, the sales volume of our products was mainly driven by (i) Chinese consumers' increased purchasing power, (ii) their growing consciousness of healthy lifestyles and hygiene, (iii) the expansion of our product portfolio, and (iv) the growing popularity of our products.

Product Mix

Our market leadership is built upon the success of our products. Our multi-brand strategy and diversified product portfolio enable us to capitalize on changes in market conditions and consumer demand in a timely manner. We have a diverse portfolio of products that can be utilized in a broad spectrum of household settings and cater to consumers of different age groups with different product demands. The mix of products in our portfolio will affect our financial performance as different products generate different gross profit margins depending on factors such as the cost of raw materials or finished goods, production costs, product pricing and marketing strategy.

Our gross profit margin steadily increased from 2017 to 2019, being 35.9%, 37.2% and 43.4% in 2017, 2018 and 2019, respectively. Our gross profit margin was 43.0% and 42.9% for the nine months ended September 30, 2019 and 2020, respectively. The increase from 2017 to 2019 was mainly due to (i) the continuous optimization of our product mix by raising the proportion of products with higher margin; and (ii) the overall increase of our product prices in relation to product development and upgrade.

The following table sets forth a breakdown of our gross profit and gross profit margin by product category for the periods indicated.

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(unaudited)*	*(%)*	*RMB'000*	*(%)*
Household Care										
Household Insecticides and Repellents	311,107	33.8	311,816	33.3	357,833	40.9	352,371	40.8	368,892	38.9
Household Cleaning	139,962	42.4	150,964	45.6	173,768	48.0	130,847	47.8	193,307	54.5
Air Care	27,354	35.4	31,616	49.8	33,569	54.1	27,607	56.2	26,914	58.3
Sub-total	**478,423**	**36.0**	**494,396**	**37.2**	**565,170**	**43.5**	**510,825**	**43.1**	**589,113**	**43.7**
Personal Care	–	–	–	–	30,585	42.8	23,372	42.6	30,569	32.9
Pet Care	14	40.0	49	56.3	1,103	63.3	147	57.9	5,598	56.3
Others[(1)]	5,432	29.7	7,680	39.9	3,002	30.3	2,970	30.8	1,250	13.3
Total	**483,869**	**35.9**	**502,125**	**37.2**	**599,860**	**43.4**	**537,314**	**43.0**	**626,530**	**42.9**

Note:

(1) Others include household supplies, appliances and other products.

Introduction of New Products

The growth of our business depends in large part on our ability to continuously introduce new products that are well-received by customers. The increase in our gross profit margins also depends on our ability to introduce and market higher-margin products.

We plan to continue to introduce more household care, and personal care and pet care products with upgraded packaging targeting different groups of consumers to meet changing trends in the market and evolving consumer preferences. For example, we are currently in the process of broadening our product offerings to include more hair care, body care and pet care products. As of the Latest Practicable Date, we had 33 household cleaning, 67 household insecticides and repellents, 24 air care, 19 personal care and 33 pet care upgraded or new products in the research and development pipeline.

Sales and Distribution Network

We have an established robust omni-channel sales and distribution network with high penetration in both offline and online channels. As of September 30, 2020, our products were sold to consumers in all of the provinces in China. Our omni-sales and distribution network deeply penetrates the Chinese market covering all prefecture level cities and a large majority of county-level cities across China. During the Track Record Period, we distribute our products through a variety of sales channels across China, including multiple offline channels (including our offline distributors and the key accounts) and online sales networks, such as our self-operated online stores and online distributors on Tmall and JD.com.

Our sales to offline distributors contributed 82.1%, 75.8%, 67.9%, 69.6% and 62.8% of our total revenue in 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, respectively. Our sales to Liby Group contributed 17.9%, 23.0%, 20.7%, 20.1% and 20.7% of our total revenue in 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, respectively.

To capitalize on the significant growth of e-commerce in China, we engage online distributors and more importantly, in 2019, we began operating self-operated online stores on major e-commerce websites such as Tmall and JD.com and leverage social media platforms such as Douyin and Xiaohongshu to promote our products. We expect our penetration through the online channels to contribute to our sales growth and to have synergies with our other sales and distribution network by enhancing our brand recognition. In 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, revenue generated from online channels amounted to nil, RMB15.4 million, RMB152.6 million, RMB124.0 million and RMB238.6 million, respectively, accounting for nil percent, 1.1%, 11.0%, 9.9% and 16.3%, respectively, of our total revenue in such periods.

We plan to continue to expand our sales and distribution network to support the growth of our business and strengthen our market-leading positions.

Costs of Raw Materials

We offer a wide variety of household care and personal care products, covering multiple product categories. Different products, especially those from different categories, usually use different combinations of raw materials. Our primary raw materials are chemicals and packaging materials. The main packaging materials that we purchase from third parties include cardboard boxes, bottles and packaging bags. Costs of chemicals used in the production of our products accounted for 15.0%, 12.5%, 13.0%, 13.0% and 14.8% of our total cost of sales in 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, respectively. Costs of packaging materials used in the production of our products accounted for 14.7%, 15.6%, 17.9%, 17.9% and 19.4% of our total cost of sales in the same periods.

Our raw materials include certain commodities. Their prices generally fluctuate according to market conditions. The prices of our other raw materials generally fluctuate as a result of various factors, including supply and demand, our bargaining power with the suppliers, logistics and processing costs and government regulations and policies. We have not entered into any hedging activities in relation to commodity prices. However, we have sought to mitigate the impact of our raw materials' price fluctuations by making purchases when we believe prices are low and entering into framework agreements with our suppliers. We believe that, as our business scale increases, our bargaining power will also increase, which will contribute in part to decrease in our purchase prices for certain raw materials. We believe that these practices and capabilities will help to reduce our costs of raw materials. We also believe that our diversified product portfolio has reduced the impact of raw materials' price fluctuations on our business and results of operations. However, we cannot guarantee that we will be able to control our costs of raw materials or to pass our increased costs onto our consumers.

Seasonality

Our results of operations are affected by seasonal fluctuations in demand for our certain products. Sales of certain products are subject to seasonality by nature. We record higher sales of household insecticides and repellents products from January to April of a year, because our distributors typically increase their purchases before the peak season of sales, being April to September when the consumer demands for household insecticides and repellents are relatively higher. For the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, revenue attributable to our household insecticides and repellents product category amounted to RMB920.4 million, RMB936.4 million, RMB875.9 million, RMB862.6 million and RMB948.1 million, respectively, accounting for 68.4%, 69.4%, 63.3%, 69.0% and 64.9%, respectively, of our total revenue in such periods.

Moreover, due to the significant growth of our online business, we experience higher sales volume around the few major online shopping holidays in China, such as the 618 Shopping Festival on June 18 and Singles' Day on November 11. For the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, revenue attributable to our online channels amounted to nil, RMB15.4 million, RMB152.6 million, RMB124.0 million and RMB238.6 million, respectively, accounting for nil, 1.1%, 11.0%, 9.9% and 16.3%, respectively, of our total revenue in such periods.

Accordingly, various aspects of our results of operations, including sales, inventory, trade receivables, working capital and operating cashflow, are exposed to the seasonal fluctuations in demand for our products, and our half-year results may not reflect our full-year results. However, our diversified product portfolio and our higher sales volume from our online sales channels around major online shopping holidays help mitigate seasonality effects of certain products and make our sales more even throughout the year.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements have been prepared in accordance with IFRSs issued by the IASB. We have consistently applied IFRSs that are effective for the financial year beginning on January 1, 2020 and throughout the Track Record Period, including IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. We adopted (i) IFRS 9 Financial Instruments since January 1, 2018 and IAS 39 Financial Instruments: Recognition and Measurement for the year ended December 31, 2017. Our financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

The adoption of IFRS 9 and IFRS 15 has not had any significant impact on our financial position and performance when compared to that of IAS 39 and IAS 18. The adoption of IFRS 16 does not result in any significant impact on our financial position and performance (in particular, our current ratio, quick ratio, gearing ratio, net assets and profit for the year) when compared to IAS 17.

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experiences and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 4 to the Accountants' Report in Appendix I to this document.

Sales of goods

We sell household insecticides and repellents, household cleaning, air care, personal care, pet care and other products to customers. Revenue is recognized when control of the goods has transferred according to respective agreed terms of delivery. Revenue is recognized at a point in time when the customer obtains control of the distinct good.

For contracts that contain variable consideration (e.g. sales returns or volume rebates), we estimate the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, we update the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstances during each reporting period.

We recognize a refund liability (included in trade and other payables) if we expect to refund some or all of the consideration received from customers.

For a sale of products with a right of return, we recognize all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognized for the products expected to be returned);

(b) a refund liability/contract liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Our management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on our management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, our management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Our management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. Any change in these estimates may have a material impact on our results.

As of December 31, 2017, 2018 and 2019 and September 30, 2020, the carrying amounts of property, plant and equipment were approximately RMB73.6 million, RMB115.4 million, RMB135.5 million and RMB146.3 million, respectively.

Trade receivables and amounts due from related parties

Prior to January 1, 2018, when there is objective evidence of impairment loss, we take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where applicable). Where the actual future cash flows are less than expected, or being revised downward due to the change in facts and circumstances, a material impairment loss/further impairment loss may arise.

As of December 31, 2017, the carrying amounts of trade receivables were approximately RMB6.1 million, net of allowance of doubtful debts of approximately RMB0.2 million.

As of December 31, 2017, the carrying amounts of amounts due from related parties were approximately RMB553.3 million.

Starting from January 1, 2018, we adopted IFRS 9 and we estimate the amount of lifetime expected credit loss of not credit-impaired trade receivables and trade related balances with related parties based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors and past due status of respective receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, credit-impaired trade receivables and trade related balances with related parties are assessed for expected credit loss individually. The loss allowance amounts of the credit-impaired trade receivables and trade related balances with related parties are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future losses.

For the non-trade related balances with related parties, our Directors have performed impairment assessment, and concluded that there are no significant increase in credit risk since initial recognition of these balances. Accordingly, the loss allowance for non-trade related balances with related parties are measured at twelve-month expected credit loss.

Assessment is done based on the our historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The information about the our trade receivables and amounts due from related parties and the expected credit loss assessment is disclosed in Notes 19, 20 and 30 to the section headed "Appendix I – Accountants' Report", respectively. As of December 31, 2018 and 2019 and September 30, 2020, the carrying amounts of the our trade receivables were approximately RMB6.0 million, RMB7.2 million and RMB13.6 million, net of allowance for credit losses of approximately RMB1.3 million, RMB1.0 million and RMB2.7 million, respectively. As of December 31, 2018 and 2019 and September 30, 2020, the carrying amounts of our amounts due from related parties (excluding prepayments to related parties) were approximately RMB76.8 million, RMB51.6 million and RMB93.3 million, respectively.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statement of profit or loss and other comprehensive income, for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the year ended December 31,			For the nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue	1,346,214	1,350,073	1,383,402	1,250,046	1,461,375
Cost of sales	(862,345)	(847,948)	(783,542)	(712,732)	(834,845)
Gross profit	**483,869**	**502,125**	**599,860**	**537,314**	**626,530**
Other income	11,815	34,184	42,103	16,735	16,864
Other gains and losses	(7,618)	100	230	213	(18,463)
Impairment losses in respect of trade receivables, net of reversal	(160)	(489)	265	571	(1,679)
Selling and distribution expenses	(229,081)	(241,020)	(334,228)	(275,712)	(284,468)
Administrative expenses	(30,009)	(41,610)	(62,415)	(48,705)	(57,423)
Finance costs	(182)	(307)	(299)	(175)	(1,783)
Listing expenses	–	(11,421)	(13,300)	(10,260)	(8,262)
Profit before tax	**228,634**	**241,562**	**232,216**	**219,981**	**271,316**
Income tax expense	(58,459)	(64,527)	(47,856)	(45,312)	(56,407)
Profit and total comprehensive income for the year/period	**170,175**	**177,035**	**184,360**	**174,669**	**214,909**
Profit (loss) and total comprehensive income (expense) for the year/period attributable to:					
– Owners of the Company	170,175	177,035	185,164	174,874	205,291
– Non-controlling interests	–	–	(804)	(205)	9,618
	170,175	177,035	184,360	174,669	214,909
Non-IFRS Measure:					
Adjusted net profit	170,175	188,456	197,660	184,929	241,625

Non-IFRS Measures: Adjusted Net Profit

Adjusted net profit, as we present it, represents profit and total comprehensive income for the period before one-time charity donations and listing expenses. Adjusted net profit is not a standard measure under IFRSs. We believe that adjusted net profit helps identify underlying trends in our business that could otherwise be distorted by the effect of the expenses that we include in income from operations and net profit through eliminating potential impacts of items that our management does not consider to be indicative of our operating performance, such as certain impacts of our one-time charity donations and listing expenses. We believe that adjusted net profit provides useful information about our operating results, enhance the overall understanding of our past performance and future prospects and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

While adjusted net profit provides an additional financial measure for investors to assess our operating performance, the use of adjusted net profit has certain limitations because it does not reflect all items of income and expense that affect our operations. The item that is adjusted for may continue to be incurred and should be considered in the overall understanding and assessment of our results.

As a measure of our operating performance, we believe that the most directly comparable IFRSs measure to adjusted net profit is profit for the year or period. The following table reconciles profit for the year or period under IFRSs to adjusted net profit for the periods indicated:

	For the year ended December 31,			**For the nine months ended September 30,**	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit and total comprehensive income for the period	170,175	177,035	184,360	174,669	214,909
Adjustments for:					
One-time charity donations	–	–	–	–	18,454
Listing expenses	–	11,421	13,300	10,260	8,262
Adjusted net profit	**170,175**	**188,456**	**197,660**	**184,929**	**241,625**

Adjusted net profit should not be considered in isolation or construed as a substitute for analysis of IFRSs financial measures, such as operating profit or profit for the year or period. In addition, because adjusted net profit may not be calculated in the same manner by all companies, our adjusted net profit may not be comparable to the same or similarly titled measures presented by other companies.

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we derived our revenue from the sales of (i) household care products; (ii) personal care products; (iii) pet care products and (iv) others to customers through our omni-channel sales and distribution network. Our revenue is stated net of allowances for returns, sales discounts, rebates and value-added tax during the Track Record Period.

Revenue by Product Categories

The table below sets forth a breakdown of our revenue by product category, each expressed in the absolute amount and as a percentage of our total revenue, for the periods indicated.

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(unaudited)*	*(%)*	*RMB'000*	*(%)*
Household Care										
Household Insecticides and Repellents	920,380	68.4	936,376	69.4	875,948	63.3	862,612	69.0	948,083	64.9
Household Cleaning	330,170	24.5	330,846	24.5	362,200	26.2	273,576	21.9	354,957	24.3
Air Care	77,353	5.7	63,501	4.7	62,096	4.5	49,111	3.9	46,124	3.2
Sub-total	1,327,903	98.6	1,330,723	98.6	1,300,244	94.0	1,185,299	94.8	1,349,164	92.4
Personal Care	–	–	–	–	71,495	5.2	54,851	4.4	92,810	6.3
Pet Care	35	–	87	–	1,743	0.1	254	–	9,940	0.7
Others[(1)]	18,276	1.4	19,263	1.4	9,920	0.7	9,642	0.8	9,461	0.6
Total revenue	**1,346,214**	**100.0**	**1,350,073**	**100.0**	**1,383,402**	**100.0**	**1,250,046**	**100.0**	**1,461,375**	**100.0**

Note:

(1) Others include household supplies and appliances and other products.

Our revenue slightly increased by 0.3% in 2018 compared to 2017, and then further increased by 2.5% in 2019 compared to 2018. Our revenue increased by 16.9% in the nine months ended September 30, 2020 compared to the same period in 2019. Sales of household care products accounted for 98.6%, 98.6%, 94.0%, 94.8% and 92.4% of our total revenue in 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, respectively. Revenue from sales of household care products remained relatively stable from 2017 to 2019 but experienced a significant increase in the nine months ended September 30, 2020 from the corresponding period in 2019, which is a result of our continuous product mix improvement, development of online sales, as well as the emerging market demands for household cleaning products during the COVID-19 outbreak. Due to our increased brand recognition and market acceptance of our products, revenue from personal care products also increased significantly in the first nine months of 2020.

Revenue by Sales Channels

We primarily sell our products through our omni-channel sales and distribution network of offline distributors, self-operated online stores and online distributors, key accounts, overseas distributors and corporate and institutional customers. The following table sets forth a breakdown of our revenue by sales channel, each expressed in the absolute amount and as a percentage of our total revenue for the periods indicated.

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(unaudited)*	*(%)*	*RMB'000*	*(%)*
Offline Distributors	1,104,787	82.1	1,023,046	75.8	938,024	67.9	869,376	69.6	917,616	62.8
Online Channels	–	–	15,357	1.1	152,646	11.0	124,023	9.9	238,586	16.3
– Online Distributors	–	–	15,357	1.1	69,525	5.0	52,604	4.2	96,852	6.6
– Self-operated Online Stores	–	–	–	–	83,121	6.0	71,419	5.7	141,734	9.7
Corporate and Institutional Customers	–	–	1,079	0.1	4,096	0.3	4,037	0.3	2,616	0.2
Overseas Distributors	–	–	–	–	2,002	0.1	1,015	0.1	357	–
Liby Channel[1]	241,427	17.9	310,591	23.0	286,634	20.7	251,595	20.1	302,200	20.7
Total revenue	**1,346,214**	**100.0**	**1,350,073**	**100.0**	**1,383,402**	**100.0**	**1,250,046**	**100.0**	**1,461,375**	**100.0**

Note:

(1) Primarily includes key accounts and certain overseas distributors and corporate and institutional customers. Based on our enquiry conducted on Liby Group and to the best knowledge of us, with respect of each relevant period of the Track Record Period, over 85% of the revenue derived from Liby Channel was attributable to key accounts.

During the Track Record Period, as a percentage of our total revenue, revenue generated from sales through our offline distributors decreased from 82.1% in 2017 to 75.8% in 2018 and further decreased to 67.9% in 2019, while revenue generated from sales through online channels increased from 1.1% in 2018 to 11.0% in 2019. As a percentage of our total revenue, revenue generated from sales through our offline channels decreased from 69.6% in the nine months ended September 30, 2019 to 62.8% in the same period in 2020, while revenue generated from sales through our online channels increased from 9.9% in the nine months ended September 30, 2019 to 16.3% in the same period in 2020. The continuous decrease in revenue generated from sales through offline channels as a percentage of our total revenue was a combined effect of the overall weakening offline retail business as well as the changes in product mix in relevant periods. Going forward, while maintaining the steady growth of our offline channels, we continue to strengthen our online sales efforts, we expect revenue from our online channels to grow both in absolute amounts and as a percentage of our total revenue.

Revenue generated from corporate and institutional customers and overseas distributors fluctuated during the Track Record Period which was mainly affected by the varying product mix of the orders they placed during the relevant period.

Revenue from Liby channel also fluctuated during the Track Record Period. It increased by 28.6% from 2017 to 2018 mainly due to our successful offline marketing efforts targeting key accounts to promote our brands and products. Revenue from Liby channel decreased by 7.7% from 2018 to 2019, which was a combined effect of the overall weakening offline retail businesses, and the price rise when we upgraded our household insecticides and repellents products. Revenue from Liby channel increased by 20.1% from the nine months ended September 30, 2019 to the corresponding period in 2020, primarily due to the improvement in product mix, and to a lesser extent, the emerging market demands for household cleaning products due to the COVID-19 outbreak.

Cost of Sales

Our cost of sales comprises of raw materials cost, labor cost, manufacturing cost and ODM and OEM cost.

The following table sets forth a breakdown of our cost of sales by nature, expressed as an absolute amount and as a percentage of our total cost of sale, for the periods indicated.

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(unaudited)*	*(%)*	*RMB'000*	*(%)*
Raw materials cost	256,495	29.7	237,959	28.1	242,337	30.9	220,746	31.0	285,518	34.2
Labor cost	10,157	1.2	11,807	1.4	9,055	1.2	8,232	1.1	9,930	1.2
Manufacturing cost	2,517	0.3	2,923	0.3	3,115	0.4	2,832	0.4	3,552	0.4
ODM & OEM cost	593,176	68.8	595,259	70.2	529,035	67.5	480,922	67.5	535,845	64.2
Total	**862,345**	**100.0**	**847,948**	**100.0**	**783,542**	**100.0**	**712,732**	**100.0**	**834,845**	**100.0**

Cost of sales continued to decrease from 2017 to 2019, as we strategically improved the product mix to increase the proportion of products with higher profit margin. Overall cost of sales increased in the nine months ended September 30, 2020 from corresponding period in 2019, which was mainly due to the increase in revenue.

Cost of Raw Materials

The major raw materials we used in our production process mainly include chemicals and packaging materials. The table below sets forth a breakdown of our cost of our raw material, each expressed in the absolute amount and as a percentage of our total cost for the periods indicated.

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(unaudited)*	*(%)*	*RMB'000*	*(%)*
Chemicals	129,609	15.0	105,508	12.5	101,973	13.0	92,888	13.1	123,145	14.8
Packaging materials	126,886	14.7	132,451	15.6	140,364	17.9	127,858	17.9	162,373	19.4
Raw materials cost	**256,495**	**29.7**	**237,959**	**28.1**	**242,337**	**30.9**	**220,746**	**31.0**	**285,518**	**34.2**

The following sensitivity analysis illustrates the impacts of a decrease/an increase of 2%, 5% and 8% in our cost of raw materials, with all other factors being held constant, and the impacts on our gross profit as a result of such decreases/increases for each of the years ended December 31, 2017, 2018 and 2019, and for the nine months ended September 30, 2020, respectively, as follows:

	Decrease/ Increase by 2%	Decrease/ Increase by 5%	Decrease/ Increase by 8%
Change in gross profit (RMB'000)			
Year ended December 31, 2017	+/-5,130	+/-12,825	+/-20,520
Year ended December 31, 2018	+/-4,759	+/-11,898	+/-19,037
Year ended December 31, 2019	+/-4,847	+/-12,117	+/-19,387
Nine months ended September 30, 2020	5,710	14,276	22,841

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. In 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, our gross profit was RMB483.9 million, RMB502.1 million, RMB599.9 million, RMB537.3 million and RMB626.5 million, respectively. Our overall gross profit margin was 35.9%, 37.2%, 43.4%, 43.0% and 42.9%, respectively, in the same periods.

Gross Profit and Gross Profit Margin by Product Categories

The following table sets forth a breakdown of our gross profit and gross profit margin by product categories for the periods indicated.

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
							(unaudited)			
Household Care										
Household Insecticides and Repellents	311,107	33.8	311,816	33.3	357,833	40.9	352,371	40.8	368,892	38.9
Household Cleaning	139,962	42.4	150,964	45.6	173,768	48.0	130,847	47.8	193,307	54.5
Air Care	27,354	35.4	31,616	49.8	33,569	54.1	27,607	56.2	26,914	58.3
Sub-total	**478,423**	**36.0**	**494,396**	**37.2**	**565,170**	**43.5**	**510,825**	**43.1**	**589,113**	**43.7**
Personal Care	–	–	–	–	30,585	42.8	23,372	42.6	30,569	32.9
Pet Care	14	40.0	49	56.3	1,103	63.3	147	57.9	5,598	56.3
Others[(1)]	5,432	29.7	7,680	39.9	3,002	30.3	2,970	30.8	1,250	13.3
Total	**483,869**	**35.9**	**502,125**	**37.2**	**599,860**	**43.4**	**537,314**	**43.0**	**626,530**	**42.9**

Our overall gross profit continued to increase during the Track Record Period was primarily attributable to our efforts to improve product mix and actively develop online sales channels. Gross profit margin also increased from 2017 to 2019 primarily due the increasing proportion of sales of products with relatively higher profit margin. Our gross profit margin remained relatively stable for the nine months ended September 30, 2019 and 2020.

Due to the broad range of our product offerings with different specifications, the gross profit margin of our product categories and SKUs varies significantly. For example, during the Track Record Period, the gross profit margin of certain of our major products, namely Vewin plant-based kitchen cleaners (500g & 420g per pair/10 pairs per box) (威王植物廚房清潔劑，500克及420克每組/每箱10組) under household cleaning category and Superb cockroach bait boxes (3 baits per pack/30 packs per box) (超威殺蟑餌劑，3個每盒/每箱30盒) under household insecticides and repellent category, ranged from approximately 60% to 68% and 54% to 65%, respectively.

Gross Profit and Gross Profit Margin by Sales Channels

The following table sets forth a breakdown of our gross profit and gross profit margin by sales channels for the periods indicated.

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
							(unaudited)			
Offline Distributors	418,470	37.9	393,780	38.5	416,702	44.4	384,272	44.2	380,049	41.4
Online Channels	–	–	7,136	46.5	75,990	49.8	59,986	48.4	121,265	50.8
– Online Distributors	–	–	7,136	46.5	33,302	47.9	24,418	46.4	46,150	47.7
– Self-operated Online Stores	–	–	–	–	42,688	51.4	35,568	49.8	75,115	53.0
Corporate and Institutional Customers	–	–	686	63.6	1,886	46.0	1,859	46.0	1,546	59.1
Overseas Distributors	–	–	–	–	1,246	62.2	647	63.7	194	54.3
Liby Channel	65,399	27.1	100,523	32.4	104,036	36.3	90,550	36.0	123,476	40.9
Total	**483,869**	**35.9**	**502,125**	**37.2**	**599,860**	**43.4**	**537,314**	**43.0**	**626,530**	**42.9**

Gross profit of offline distributors fluctuated during the Track Record Period which was mainly a result of the changes in product mix in relevant periods. Gross profit margin of offline distributors increased from 2017 to 2019 mainly due to our strategy to optimize product mix which increased the proportion of products with relatively higher margin. Gross profit margin of offline distributors decreased from the nine months ended September 30, 2020 from the corresponding period in 2019, which was mainly due to the relative higher proportion of household insecticides products sold through these channels. The gross profit margin of such products was relatively low in the first nine months of 2020, primarily due to the higher cost of sales as impacted by the COVID-19 outbreak. The gross profit margin of offline distributors grew relatively slow during the Track Record Period, primarily because the proportion of household insecticides and repellents products, which generally carry lower profit margin, was relatively high and it generally takes more efforts for us to upgrade product mix of this product category with respect to offline distribution channels as the target customers of such offline distributors typically take more time to accept new updated products.

Gross profit and gross profit margin of online channels increased during the Track Record Period as we deepened our strategy to develop online business and continued to improve product mix.

Gross profit of Liby channels continued to increase during the Track Record Period which was in line with our overall business growth. Gross profit margin of Liby channel improved during the Track Record Period partially attributable to the increased proportion of products with higher profit margin during the relevant periods, including but not limited to Babeking mosquito repellent liquid, Babeking mite eliminating spray, Cyrin air freshener, Vewin toilet cleaner, Vewin antibacterial sachets and so on. It also reflected our increasing pricing power resulting from our own offline marketing efforts to promote brand recognition and gain market acceptance.

Other Income

Our other income mainly consists of government grants, bank interest income, interest income from a related party, and imputed interest income from a related party. In 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, we recorded other income of RMB11.8 million, RMB34.2 million, RMB42.1 million, RMB16.7 million and RMB16.9 million, respectively. The following table sets forth a breakdown of the key components of our other income, each expressed as an absolute amount and as a percentage of our total other income for the periods indicated.

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(unaudited)*	*(%)*	*RMB'000*	*(%)*
Government grants	1,789	15.1	18,608	54.4	35,822	85.1	13,158	78.7	9,860	58.5
Bank interest income	319	2.7	663	2.0	1,193	2.8	827	4.9	3,329	19.7
Interest income from a related party	–	–	8,674	25.4	–	–	–	–	–	–
Imputed interest income from a related party	8,292	70.2	2,712	7.9	–	–	–	–	–	–
Investment income from financial assets at FVTPL	–	–	1,782	5.2	3,730	8.9	1,946	11.6	2,922	17.3
Others[(1)]	1,415	12.0	1,745	5.1	1,358	3.2	804	4.8	753	4.5
Total	**11,815**	**100.0**	**34,184**	**100.0**	**42,103**	**100.0**	**16,735**	**100.0**	**16,864**	**100.0**

Note:

(1) Others mainly represent income generated from the disposal of damaged or scrapped products and packaging materials.

Government grants mainly represents local government subsidies for the purpose of giving immediate financial support to us with no future related costs. We were awarded government subsidies as an incentive from local government authorities during the Track Record Period. The government subsidies are discretionary and non-recurring in nature.

Interest income from a related party was generated as a result of a loan extended to Baokai Daorong, a related party, the maximum outstanding balance during the year ended 31 December 2018 of which was RMB300.0 million with an effective interest rate of 4.35% per annum. This loan was fully repaid in 2018. For more details, see "– Related Party Transaction – Amounts due from related parties."

Imputed interest income from a related party primarily relates to loans advanced to Liby Group, which were unsecured, non-interest bearing and repayable in one year from the dates of the loans advanced and initially measured at fair value, based on the present value of the estimated future cash flow discounted using the average effective interest rate of 4.9% per annum. Such loans were fully repaid in 2018. For more details, see "– Related Party Transaction – Amounts due from related parties."

Financial assets at FVTPL during the Track Record Period represented structured deposits which were mainly consisted of non-principal protected money market funds issued by domestic commercial banks. The return of the structured deposits was determined by reference to the return of their respective underlying investments. The structured deposits we currently purchased had no fixed contractual period and may be redeemed any time at our discretion.

To manage our cash on hand, we purchase and redeem wealth management products from which we could readily access cash as needed and generate higher investment returns than fixed-rate returns from bank deposits, as we consider that these products are highly liquid and bear a relatively low level of risk.

We make prudent investment decisions and have in place treasury and investment management policies. We consider investing in low-or no-risk wealth management products with high liquidity only when such investments will not affect our cash needs during the ordinary course of our business operations and the cash needs for our development plans. Our investment decisions are made after due and careful consideration of a number of factors, including market and investment conditions, economic developments, investment cost, duration of investment and the risks expected to be involved and the expected returns. Based on such factors and considering our overall development plans and cash needs every year, we prepare annual investment plans which is subject to the final review of our Board and the approval of our shareholders' meeting. Our internal audit team is responsible for the risk evaluation of our financing investments. Each investment proposal shall be subject to feasibility study which at least covers analysis of legal compliance, risk exposure, anticipated investment performance, and valuation, if necessary. Investment proposals shall be submitted to our Chief Financial Officer for review and approval, who has over ten years of experience in corporate finance and investment. For more details about our Chief Financial Officer, please also refer to "Directors, Senior management and Employees." Our internal corporate finance and investment team are mainly responsible for the execution of the investments. Once the investment proposals are approved and executed, designated personnel who are responsible for the investments shall closely monitor the performance of respective investments and shall immediately initiate the procedure to adjust, redeem or terminate such investment if the estimated return is subject to material changes. Our headquarters also conducts periodical and random security check on all investments of our Group to ensure the investment is in compliance with applicable laws and regulations as well as our internal policies. Personnel responsible for the investments shall redeem the investments in a timely manner upon the expiry.

Our objectives when managing capital and making investment decisions are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to enhance shareholders' value in the long-term. We monitor capital (including share capital and other reserves) by regularly reviewing the capital structure. As a part of this review, we consider the cost of capital and the risks associated with the issued share capital, and may adjust the external investments as well as the distributions to the shareholders.

Bank interest income mainly represents interests earned from our cash and cash equivalents.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of promotional expenses, advertising expenses, transportation expenses and staff costs. In 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, our selling and distribution expenses were RMB229.1 million, RMB241.0 million, RMB334.2 million, RMB275.7 million and RMB284.5 million, respectively. The following table sets forth a breakdown of the key components of our selling and distribution expenses, each expressed as an absolute amount and as a percentage of our total selling and distribution expenses, for the periods indicated.

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(unaudited)*	*(%)*	*RMB'000*	*(%)*
Promotional expenses	130,983	57.2	118,407	49.1	187,966	56.3	155,135	56.3	133,352	46.9
Advertising expenses	41,249	18.0	40,895	17.0	38,535	11.5	31,269	11.3	38,093	13.4
Transportation expenses	40,343	17.6	42,358	17.6	66,603	19.9	60,047	21.8	71,881	25.3
Staff costs	15,039	6.6	34,486	14.3	38,724	11.6	27,096	9.8	40,404	14.2
Others[(1)]	1,467	0.6	4,874	2.0	2,400	0.7	2,165	0.8	738	0.2
Total	**229,081**	**100.0**	**241,020**	**100.0**	**334,228**	**100.0**	**275,712**	**100.0**	**284,468**	**100.0**

Note:

(1) Others primarily include depreciation & amortization and sales related miscellaneous expenses.

We incurred promotional expenses for both our offline and online channels, which also include the service fees charged by the e-commerce platforms in respect of our online sales. During the Track Record Period, such service fees amounted to nil, RMB1.4 million, RMB27.4 million and RMB34.1 million, in 2017, 2018 and 2019 and the nine months ended September 30, 2020, respectively. Our advertising expenses represent the expenses of our advertising on television channels, internet, social media and other print media. Our transportation expenses primarily represent the fees we pay to third party logistic and storage service providers.

Administrative Expenses

Our administrative expenses primarily consist of wages and salaries, travel expenses, rental expenses and professional service fees. In 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, our administrative expenses were RMB30.0 million, RMB41.6 million, RMB62.4 million, RMB48.7 million and RMB57.4 million, respectively. The following table sets forth a breakdown of the key components of our administrative expenses, each expressed as an absolute amount and as a percentage of our total administrative expenses, for the periods indicated.

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(unaudited)*	*(%)*	*RMB'000*	*(%)*
Wages and salary	13,594	45.3	17,722	42.6	31,066	49.8	23,650	48.5	32,697	56.9
Travel expense	5,722	19.1	10,098	24.3	14,519	23.3	11,715	24.1	10,910	19.0
Rental expense[2]	496	1.6	1,432	3.4	3,018	4.8	2,826	5.8	2,232	3.9
Professional service fees	4,049	13.5	6,008	14.4	3,964	6.3	2,613	5.4	6,828	11.9
Others[1]	6,148	20.5	6,350	15.3	9,848	15.8	7,901	16.2	4,756	8.3
Total	**30,009**	**100.0**	**41,610**	**100.0**	**62,415**	**100.0**	**48,705**	**100.0**	**57,423**	**100.0**

Note:

(1) Others primarily include taxes and miscellaneous office expenses.

(2) It includes depreciation of right-of-use assets and expense relating to short-term leases.

Our administrative expenses gradually increased during the Track Record Period, which was generally in line with our business growth. Among others, wages and salaries increased significantly as we continued to hire administrative personnel.

Our rental expenses primarily include rents for our office premises. Our travel expenses primarily include expenses incurred in business travels of administrative and management staff and business use of our vehicles. Professional service fees recorded during the Track Record Period mainly represent expenses we incurred in relation to annual audits and professional services in relation to our information technology systems. The relatively higher professional service fees in 2018 was mainly due to the expenses relating to the establishment of our information technology infrastructure which had been gradually completed since late 2018. Other expenses continued increased during the Track Record Period which was mainly relating to the depreciation and amortization of property, plant and equipment mainly in connection with the warehouses at our plants. The significant increase from 2018 to 2019 was primarily due to the addition of fixed assets at the Anfu Plant.

Other Gains and Losses

Other gains and losses mainly include losses/gains on disposal of property, plant and equipment and donations we made during the Track Record Period.

Impairment losses in respect of trade receivables, net of reversal

Our impairment, net of reversal primarily represents impairment losses and reversal of impairment loss related to trade receivables due from certain customers.

Finance Costs

Our finance costs consist of interest expense in lease liabilities and interest expense on bank borrowing. Interest on lease liabilities during the Track Record Period were primarily related to the property leases we entered into primarily for plants, offices and warehouses, as well as a short-term bank borrowing with at a fixed interest rate of 2.05% per annum. This loan is unsecured and repayable within one year.

Income Tax Expense

Our Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act and, accordingly, is exempt from payment of Cayman Islands income tax. Income tax expense primarily represents our total current and deferred tax expenses under the relevant PRC income tax rules and regulations. Current income tax consists of the PRC Enterprise Income Tax Law, which is generally assessed at a rate of 25% and paid by our PRC subsidiaries on their taxable income. In 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, our effective tax rates were 25.6%, 26.7%, 20.6%, 20.6% and 20.8%, respectively. Our effective tax rate for the year ended December 31, 2019 and the nine months ended September 30, 2019 and 2020 was lower than the PRC statutory income tax rate of 25% primarily because one of our subsidiary enjoyed a preferential income tax rate of 15% in 2019 and 2020 as a qualified Hi-Tech Enterprise.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATION

Nine months ended September 30, 2020 compared to nine months ended September 30, 2019

Revenue

Our revenue increased by 16.9% from RMB1,250.0 million for the nine months ended September 30, 2019 to RMB1,461.4 million for the nine months ended September 30, 2020. The increase in our revenue was primarily due to (i) our continuous introduction of new products and promotion of our product mix optimization strategy, (ii) an increase of RMB114.6 million in revenue generated from sales through our online channels, and (iii) increases in the sales of our household insecticides and cleaning products and personal care products as a result of the increasing customer awareness on personal hygiene which increased the demand for sanitizers, disinfectant and antibacterial products during the COVID-19 outbreak.

By product categories

Our revenue from household insecticides and repellents products increased by 9.9% from RMB862.6 million in the nine months ended September 30, 2019 to RMB948.1 million in the nine months ended September 30, 2020, primarily due to (i) our continuous introduction of new products and product mix improvement to offer upgraded products, such as Superb liquid vaporizer heaters (double tanks), (ii) our strategy to develop and optimize our omni-channels, especially online channels, and (iii) to a lesser extent, the emerging market demands due to the COVID-19 outbreak.

Our revenue from household cleaning products increased by 29.7% from RMB273.6 million in the nine months ended September 30, 2019 to RMB355.0 million in the nine months ended September 30, 2020, primarily due to (i) our continuous introduction of new products and promotion of our product mix optimization strategy and increased focus on household cleaning product category, such as toilet cleaners, kitchen cleaners, Vewin antibacterial sachets and Vewin 84 household disinfectant liquid; (ii) increased customer awareness on household hygiene, and (iii) increased sales volume driven by the increased demand for our disinfectant and antibacterial household cleaning products during the COVID-19 outbreak. Given the importance of disinfectant and antibacterial products in curbing the epidemic, transportation of our disinfectant and antibacterial household cleaning products were less restricted.

Our revenue from air care products decreased by 6.1% from RMB49.1 million for the nine months ended September 30, 2019 to RMB46.1 million in the nine months ended September 30, 2020, which was primarily due to the fluctuation in sales in the relevant period before our new and upgraded products steadily achieved market acceptance, such as Cyrin deodorant sprays and diffusers, which cater to evolving demands of customers for air care products with better designs and new usage scenarios. We typically launch and sell these air care products online first and later expand to all channels.

Our revenue from personal care products increased by 69.2% from RMB54.9 million in the nine months ended September 30, 2019 to RMB92.8 million in the nine months ended September 30, 2020, primarily due to (i) our continuous introduction of new products and promotion of our product mix optimization strategy and increased focus on personal care product category, such as hand sanitizers, soaps and mosquito repellent Florida Water; (ii) increased sales volume driven by the increased demand for our hand sanitizers, soaps, disinfectants and antibacterial personal care products during the COVID-19 outbreak, and (iii) increasing customer awareness on personal hygiene.

Our revenue from pet care products increased significantly from RMB0.3 million for the nine months ended September 30, 2019 to RMB9.9 million for the nine months ended September 30, 2020, primarily due to (i) the full and formal launch of our pet care business in the second half of 2019, (ii) the growing popularity and market acceptance of our pet care products, and (iii) our continuous efforts to optimize and expand the product offerings.

Revenue from other products remained relatively stable at RMB9.6 million and RMB9.5 million for the nine months ended September 30, 2019 and 2020, respectively.

By sales channels

Revenue from offline distributors increased by 5.5% from RMB869.4 million in the nine months ended September 30, 2019 to RMB917.6 million in the nine months ended September 30, 2020, primarily due to (i) our continuous product mix improvement to launch new products that were suitable for offline distribution, (ii) our enhanced management over and motivations to offline distributors, and (iii) to a lesser extent, the emerging market demands due to the COVID-19 outbreak.

Revenue from online distributors increased by 84.1% from RMB52.6 million in the nine months ended September 30, 2019 to RMB96.9 million in the nine months ended September 30, 2020, primarily due to our strategic focus on developing online business, which led to the increases in both the product offering and the number of online distributors. Due to similar reasons, revenue from self-operated online stores also increased by 98.5% from RMB71.4 million to RMB141.7 million over the same periods.

Revenue from corporate and institutional customers decreased from RMB4.0 million in the nine months ended September 30, 2019 to RMB2.6 million in the nine months ended September 30, 2020, primarily because their businesses were temporarily adversely impacted by the overall limited economic activities amid the COVID-19 outbreak.

Revenue from overseas distributors decreased from RMB1.0 million in the nine months ended September 30, 2019 to RMB0.4 million in the nine months ended September 30, 2020, primarily because the market demands in regions where our overseas distributors are located had reduced as the overall business activities were limited resulting from the restrictive governmental policies taken in response to COVID-19 pandemic.

Revenue from Liby channel increased by 20.1% from RMB251.6 million in the nine months ended September 30, 2019 to RMB302.2 million in the nine months ended September 30, 2020, primarily due to the improvement in product mix, such as the upgraded disinfectant and antibacterial products, and to a lesser extent, the emerging market demands for household cleaning products due to the COVID-19 outbreak.

Cost of Sales

Our cost of sales increased by 17.1% from RMB712.7 million for the nine months ended September 30, 2019 to RMB834.8 million for the nine months ended September 30, 2020, which was mainly due to the increase in revenue. Our cost of sales as a percentage of our total revenue remained relatively stable at 57.0% and 57.1% for the nine months ended September 30, 2019 and 2020, respectively.

Gross Profit

As a result of the foregoing, our gross profit increased by 16.6% from RMB537.3 million for the nine months ended September 30, 2019 to RMB626.5 million for the nine months ended September 30, 2020. Our overall gross profit margin remained relatively stable at 43.0% and 42.9% for the nine months ended September 30, 2019 and 2020, respectively.

With respect to product categories, primarily due to the temporary shortage and increase in purchase prices of raw materials during the COVID-19 outbreak in early 2020, gross profit margin of our household insecticides and repellents products decreased from 40.8% for the nine months ended September 30, 2019 to 38.9% for the nine months ended September 30, 2020. Gross profit margin for household cleaning and air care products increased primarily because of increasing sales attributable to our online channels as well as the increasing portion of sales of products with relatively higher profit margin during the nine months ended September 30, 2020 as compared to the same period in 2019. Gross profit of our personal care products increased by 30.8% from the nine months ended September 30, 2019 to the corresponding period in 2020 mainly due to increased sales of personal care products, while gross profit margin of our personal care products decreased over the same periods primarily due to the temporary shortage and increase in purchase prices of packaging materials for relevant products during the COVID-19 outbreak in early 2020. Gross profit of pet care products increased significantly from the nine months ended September 30, 2019 to the corresponding period in 2020 primarily due to our full and formal launch of this business in the second half of 2019. Gross profit margin of pet care products, on the other hand, decreased over the same periods because the proportion of products with relatively lower profit margin increased as we continued to expanded the product offerings.

With respect to sales channels, gross profit of offline distributors decreased by RMB4.2 million from the nine months ended September 30, 2019 to the corresponding period in 2020, which was a combined effect of the overall weakening offline retail business as well as the changes in product mix in relevant periods. Gross profit margin of offline distributors also decreased over the same periods, mainly due to the relative higher proportion of household insecticides products sold through these channels. The gross profit margin of such products was relatively low in the first nine months of 2020, primarily due to the higher cost of sales as impacted by the COVID-19 outbreak. Gross profit and gross profit margin of online channels increased from the nine months ended September 30, 2019 to the corresponding period in 2020 as we deepened our strategy to develop online business and continued to improve product mix. Over the same period, gross profit of Liby channels increased as well which was in line with our overall business growth. Gross profit margin of Liby channel improved from 36.0% for the nine months ended September 30, 2019 to 40.9% for the corresponding period in 2020 partially attributable to the increased proportion of products with higher profit margin during the relevant periods. It also reflected our increasing pricing power resulting from our own offline marketing efforts to promote brand recognition and gain market acceptance.

Other Income

Our other income increased slightly by 0.8% from RMB16.7 million for the nine months ended September 30, 2019 to RMB16.9 million for the nine months ended September 30, 2020. Our other income as a percentage of our total revenue decreased from 1.3% for the nine months ended September 30, 2019 to 1.2% for the nine months ended September 30, 2020.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 3.2% from RMB275.7 million for the nine months ended September 30, 2019 to RMB284.5 million for the nine months ended September 30, 2020. Our selling and distribution expenses as a percentage of our total revenue also decreased from 22.1% for the nine months ended September 30, 2019 to 19.5% for the nine months ended September 30, 2020. The decrease was mainly due to our decreased offline marketing activities during the COVID-19 pandemic. In addition, during the COVID-19 pandemic, due to the increased customers' awareness of household and personal hygiene, we were able to achieve an increase in sales of disinfectants and anti-bacterial products without substantial investment in marketing.

Administrative Expenses

Our administrative expenses increased by 17.9% from RMB48.7 million for the nine months ended September 30, 2019 to RMB57.4 million for the nine months ended September 30, 2020, primarily due to the increase in wages and salaries as a result of an increase in the number of our administrative personnel, which is in line with the growth of our business. Our administrative expenses as a percentage of our total revenue remained stable at 3.9% and 3.9% for the nine months ended September 30, 2019 and 2020.

Other Gains and Losses

We recorded other losses of RMB18.5 million for the nine months ended September 30, 2020, compared to other gains of RMB213,000 for the same period of 2019, primarily related to our donation of disinfectant and other anti-epidemic products in relation to the outbreak of COVID-19.

Impairment Losses in respect of trade receivables, net of reversal

We recorded reversal of impairment losses of RMB571,000 in the nine months ended September 30, 2019, which was primarily related to the reversal of impairment losses in respect of trade receivables for which we recovered payment from customers in the relevant period. Our impairment losses in respect of trade receivables, net of reversal amounted to RMB1.7 million for the nine months ended September 30, 2020, primarily in connection with provisions made in accordance with our accounting policies primarily related to trade receivables from our other products.

Finance Costs

Our finance costs increased from RMB175,000 for the nine months ended September 30, 2019 to RMB1.8 million for the nine months ended September 30, 2020 primarily because we drew down a short-term bank borrowing of RMB300.0 million in the first nine months of 2020 as we were designated as a National Key Epidemic Prevention Enterprise certified by the Ministry of Industry and Information Technology, and were granted such bank borrowings under the local government's anti-epidemic support schemes which was used for operating purpose. This loan is unsecured and repayable in one year with an interest rate of 2.05% per annum.

Listing Expense

Our listing expense decreased by 19.5% from RMB10.3 million for the nine months ended September 30, 2019 to RMB8.3 million for the nine months ended September 30, 2020 primarily because we engaged various professional parties to initially plan and prepare for the Global Offering.

Profit before Tax

As a result of the foregoing, our profit before income tax increased by 23.3% from RMB220.0 million for the nine months ended September 30, 2019 to RMB271.3 million for the nine months ended September 30, 2020.

Income Tax Expense

Our income tax expense increased by 24.5% from RMB45.3 million for the nine months ended September 30, 2019 to RMB56.4 million for the nine months ended September 30, 2020 in line with the growth of our business. Our effective tax rate remained relatively stable at 20.6% and 20.8%, respectively, for the nine months ended September 30, 2019 and 2020.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 23.0% from RMB174.7 million for the nine months ended September 30, 2019 to RMB214.9 million for the nine months ended September 30, 2020. Our net profit margin slightly increased from 14.0% for the nine months ended September 30, 2019 to 14.7% for the nine months ended September 30, 2020.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

Our revenue slightly increased by 2.5% from RMB1,350.1 million in 2018 to RMB1,383.4 million in 2019, which was the combined effect of (i) a significant increase in revenue of approximately RMB71.5 million from our personal care product category which we started in 2019, (ii) the consolidated increase in revenue generated from our online distributors and self-operated online stores by approximately RMB137.3 million, or approximately 894.0%, as we started generating revenue from online distributors in 2018 and opened self-operated online stores in 2019, partially offset by the decease of revenue generated from our offline distributors.

By product categories

Our revenue from household insecticides and repellents products decreased by 6.5% from RMB936.4 million in 2018 to RMB875.9 million in 2019, primarily because (i) we raised prices as we upgraded our household insecticides and repellents products in 2018 which affected our sales in the first half of 2019 while the market gradually adapts to the price raise; and (ii) performance of our offline channels in 2019 was affected by the strategic transition we made to focus more on our online channels to cater to the changes in consumer shopping habits; partially offset by (iii) the growing popularity of our upgraded products including mosquito repellent gel; (iv) and the growth of our online business. Moreover, we opened our Babeking flagship store on Tmall in February 2019, to offer children-friendly insecticides and repellents.

Our revenue from household cleaning products increased by 9.5% from RMB330.8 million in 2018 to RMB362.2 million in 2019, primarily due to (i) our aim to promote and develop multi-category products with the increase in investment and our strategic focus on household cleaning products; (ii) our continuous upgrades of household cleaning products and (iii) the growing popularity of new products launched, including washing machine tank cleaner, window mesh cleaners and pipe cleaners under our Vewin brand, which seized the opportunities of consumption upgrade.

Our revenue from air care products decreased slightly by 2.2% from RMB63.5 million in 2018 to RMB62.1 million in 2019. The relevant changes were primarily related to the decrease in sales of our tradition product portfolio as we are still testing our upgraded product portfolio.

Our revenue from personal care products increased from nil in 2018 to RMB71.5 million in 2019 as we started full and formal operation of our personal care product category in the second half of 2019. Revenue of our personal care business as a percentage of our total revenue was 5.2% in 2019.

We launched our pet care business line in 2019 and generated RMB1.7 million from selling pet care products during 2019 from the product and market testing phase for our pet care business.

Revenue from other products decreased by 48.5% from RMB19.3 million in 2018 to RMB9.9 million in 2019, primarily due to the decrease in sales in relation to our continuous promotion of our product mix optimization strategy which includes reduction in investments in low margin products such as household supplies as well as our decision to reposition our other products category.

By sales channels

Revenue from offline distributors decreased by 8.3% from RMB1,023.0 million in 2018 to RMB938.0 million in 2019, which was a combined effect of the overall weakening offline retail business and the price rise in 2018 as we upgraded our household insecticides and repellents products in 2018 which affected the sales in the first half of 2019.

Revenue from online distributors increased significantly from RMB15.4 million in 2018 to RMB69.5 million in 2019, primarily due to our strategic focus on developing online business, which led to the increases in both the product offering and the number of online distributors. We commenced our self-operated online stores since 2019 and recorded total revenue from such channel of RMB83.1 million in 2019.

Revenue from corporate and institutional customers increased from RMB1.1 million in 2018 to RMB4.1 million in 2019, primarily due to our efforts in expanding product offerings as well as customer base.

We started to generate revenue from overseas distributors in 2019, which amounted to RMB2.0 million in 2019.

Revenue from Liby channel decreased by 7.7% from RMB310.6 million in 2018 to RMB286.6 million in 2019, which was a combined effect of the overall weakening offline retail businesses, and the price rise when we upgraded our household insecticides and repellents products.

Cost of Sales

Our cost of sales decreased by 7.6% from RMB847.9 million in 2018 to RMB783.5 million in 2019, primarily due to our strategic product mix enhancement which led to higher sales contribution from higher-margin products and decrease in the proportion of lower-margin products.

Gross Profit

As a result of the foregoing, our gross profit increased by 19.5% from RMB502.1 million in 2018 to RMB599.9 million in 2019. Our overall gross profit margin increased from 37.2% in 2018 to 43.4% in 2019, primarily due to (i) improvements in our product mix as we had higher sales contribution from higher-margin products, such as vaporizing mat, liquid vaporizer and aerosols, as compared to mosquito coils within our household insecticides and repellents product category and (ii) an increased revenue contribution from our online channels.

To be specific, with respect to product categories, gross profit of each categories of our household care products increased from 2018 to 2019, which was mainly due to our continuous effort to expand product offering targeting differentiated consumption needs and consumption levels, and to improve product mix by strategically focusing on products with a higher margin, such as Vewin antibacterial sachets and Vewin 84 household disinfectant liquid. In particular, to accommodate our strategy to develop online channels, we developed products customized for online distribution. Benefiting from such strategic focus on product mix, gross profit margin of each categories of our household care products also increased from 2018 to 2019. We only fully and formally launched our pet care products in 2019, gross profit of which increased significantly from the previous year. The increase was also attributable to the growing popularity and market acceptance of our pet care products. Gross profit margin of the pet care products increased from 56.3% in 2018 to 63.3% in 2019 primarily due to our efforts to optimize product mix since the full launch of this category to strategically market products with a higher margin.

With respect to sales channels, gross profit of offline distributors increased by 5.9% from 2018 to 2019 and gross profit margin increased from 38.5% to 44.4% over the same periods, mainly because we continued to improve product mix and maintained the stable and prudent development of our offline distribution network while strategically enhancing the development of online business during such period. Benefiting from such online strategy, gross profit of online distributors increased considerably from RMB7.1 million in 2018 to RMB33.3 million in 2019. The gross profit margin of online distributors increased from 46.5% in 2018 to 47.9% in 2019. We commenced our self-operated online stores in 2019, gross profit of which was

RMB42.7 million with a gross profit margin at 51.4%. Gross profit of corporate and institutional customers increased by 174.9% from 2018 to 2019, mainly because the continuous strong sales of household insecticides products. Along with the continued effort to expand the product offerings, the proportion of products with relatively lower profit margin increased, as a result, gross profit margin of corporate and institutional customers decreased from 63.6% in 2018 to 46.0% in 2019, primarily because the proportion of household insecticides products with relatively lower gross profit margin increased. Over the same period, gross profit of Liby channel increased by 3.9% and gross profit margin increased from 32.4% to 36.3% was partially attributable to the increased proportion of products with higher profit margin during the relevant periods. It also reflected our increasing pricing power resulting from our own offline marketing efforts to promote brand recognition and gain market acceptance.

Other Income

Our other income increased by 23.2% from RMB34.2 million in 2018 to RMB42.1 million in 2019, primarily because we received government grants of RMB10.0 million in 2019 as Cheerwin Biotechnology was designated as a key enterprise worthy of government support (政府重點扶持企業). We recorded interest income from a related party in 2018 in relation to a loan extended to Baokai Daorong, a related party, the maximum outstanding balance during the year ended 31 December 2018 of which was RMB300.0 million with an effective interest rate of 4.35% per annum. This loan had been fully repaid in 2018. Our other income as a percentage of our total revenue increased from 2.5% in 2018 to 3.0% in 2019.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 38.7% from RMB241.0 million in 2018 to RMB334.2 million in 2019, primarily due to the (i) increase in promotional expenses in relation to the expansion of our online sales network which led to a significant increase in expenses in relation to promotion for our online channel, including expenses paid to e-commerce platforms for their promotion of our products; and (ii) the increase in transportation expenses also as a result of the growth of our online business. Our selling and distribution expenses as a percentage of our total revenue increased from 17.9% in 2018 to 24.2% in 2019.

Administrative Expenses

Our administrative expenses increased by 50.0% from RMB41.6 million in 2018 to RMB62.4 million in 2019, primarily due to (i) an increase in wages and salaries as well as our travelling expenses as a result of the increase in headcount of our administrative personnel in 2019 which is in line with our business growth; (ii) increase in rental expenses as we rented two new office premises starting in 2019. As a result of the above, our administrative expenses as a percentage of our total revenue increased from 3.1% in 2018 to 4.5% in 2019.

Other Gains and Losses

Our other gains increased by 130.0% from RMB100,000 in 2018 to RMB230,000 in 2019, primarily due to disposal of property, plant and equipment.

Impairment Losses in respect of trade receivables, net of reversal

We recorded reversal of impairment losses in 2019 primarily due to the reversal of impairment losses in respect of trade receivables for which we recovered payment from customers in 2019.

Finance Costs

Our finance costs decreased by 2.6% from RMB307,000 in 2018 to RMB299,000 in 2019 primarily in relation to the decrease in interest expense on lease liabilities related to the leases of our offices and plants.

Listing Expense

Our listing expense increased by 16.5% from RMB11.4 million in 2018 to RMB13.3 million in 2019 as we continue to incur listing expense related to the Global Offering.

Profit before Tax

As a result of the foregoing, our profit before income tax decreased by 3.9% from RMB241.6 million in 2018 to RMB232.2 million in 2019.

Income Tax Expense

Our income tax expense decreased by 25.8% from RMB64.5 million in 2018 to RMB47.9 million in 2019. Our effective tax rate decreased from 26.7% in 2018 to 20.6% in 2019. Our effective tax rate for 2019 was lower than the PRC statutory income tax rate of 25% primarily because one of our subsidiary enjoyed a preferential income tax rate of 15% in 2019 as a qualified Hi-Tech Enterprise.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 4.1% from RMB177.0 million in 2018 to RMB184.4 million in 2019. Our net profit margin slightly increased from 13.1% in 2018 to 13.3% in 2019.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue remained relatively stable with a slight increase of 0.3% from RMB1,346.2 million in 2017 to RMB1,350.1 million in 2018, which was primarily the combined effect of (i) an increase in revenue from our household insecticides and repellents products by approximately RMB16.0 million, or approximately 1.7%, partially offset by (ii) a decrease in revenue from air care products by approximately RMB13.9 million, or approximately 17.9%.

By product categories

Our revenue from household insecticides and repellents products slightly increased by 1.7% from RMB920.4 million in 2017 to RMB936.4 million in 2018, primarily due to increase in sales as a result of (i) our continuous efforts in marketing and promotion activities, and (ii) popularity of our products among our customers.

Our revenue from household cleaning products was RMB330.2 million in 2017 and RMB330.8 million in 2018, respectively, which were relatively stable.

Our revenue from air care products decreased by 17.9% from RMB77.4 million in 2017 to RMB63.5 million in 2018, primarily due to a decrease in sales of traditional gel and liquid air fresheners sold through offline channels. As the above strategic repositioning was still at a testing stage and less resources were devoted to our traditional products, sales for air care products decreased in 2018.

We generated minimal revenue from selling pet care products in 2017 and 2018 while we were still in the initial product and market testing phase for our pet care business.

Revenue from other products increased by 5.4% from RMB18.3 million in 2017 to RMB19.3 million in 2018, primarily due to the continuous demand for household supplies and the natural growth of the household supplies industry.

By sales channels

Revenue from offline distributors decreased by 7.4% from RMB1,104.8 million in 2017 to RMB1,023.0 million in 2018, which was a combined effect of the overall weakening offline retail business as well as the changes in product mix in relevant periods.

We started to place strategic focus on developing our online business in 2018 and revenue derived from online distributors amounted to RMB15.4 million 2018.

In addition, we commenced to sell products to corporate and institutional customers in 2018 and revenue derived from such channel amounted to RMB1.1 million 2018.

Revenue from Liby channel increased by 28.6% from RMB241.4 million in 2017 to RMB310.6 million in 2018, primarily due to our successful offline marketing efforts targeting key accounts to promote our brands and products.

Cost of Sales

Our cost of sales remained relatively stable with a slight decrease of 1.7% from RMB862.3 million in 2017 to RMB847.9 million in 2018 with a 7.2% decrease in raw material costs primarily due to product mix optimization, for example, the decrease in the percentage of our mosquito coils, which requires relatively higher level of chemicals cost, in our household insecticides and repellents product category, as we strategically reposition to higher margin product mix within the category, including aerosols and liquid vaporizers and vaporizing mats.

Gross Profit

As a result of the foregoing, our gross profit increased by 3.8% from RMB483.9 million in 2017 to RMB502.1 million in 2018. Our overall gross profit margin increased from 35.9% in 2017 to 37.2% in 2018, primarily due to product mix optimization which led to higher sales contribution from higher-margin products, such as our enhancement in household cleaning product mix.

To be specific, with respect to product categories, gross profit and gross profit margin of our household care products increased from 2017 to 2018, which was mainly due to our continuous effort to expand product offering targeting differentiated consumption needs and consumption levels, and to improve product mix by strategically focusing on products with a higher margin. The production and distribution of our pet care products were at a trial stage in 2017 and 2018, therefore, gross profit was limited, while gross profit margin improved as we continued to improve product mix by introducing products with a relatively higher margin.

With respect to sales channels, gross profit of offline distributors decreased by 5.9% from 2017 to 2018, which was a combined effect of the overall weakening offline retail business as well as the changes in product mix in relevant periods. In response to the increasingly difficult market conditions that offline retail businesses have been facing, we have placed strategic focus on developing our online business. Gross profit margin, however, slightly increased from 37.9% to 38.5% over the same periods, mainly because we continued to improve the product mix. We started to place strategic focus on developing our online business in 2018 and gross profit of online distributors amounted to RMB7.1 million and gross profit margin was 46.5% in 2018. In addition, we commenced to sell products to corporate and institutional customers in 2018 and gross profit of such channel amounted to RMB0.7 million and gross profit margin was 63.6% in 2018. Over the same period, gross profit of Liby channel increased by 53.7% and gross profit margin increased from 27.1% to 32.4%. This was partially attributable to the increased proportion of products with higher profit margin during the relevant periods. It also reflected our increasing pricing power resulting from our own offline marketing efforts to promote brand recognition and gain market acceptance.

Other Income

Our other income increased by 189.3% from RMB11.8 million in 2017 to RMB34.2 million in 2018, primarily as a result of (i) an increase in government grants by 940.1% from RMB1.8 million in 2017 to RMB18.6 million in 2018, mainly including government grants in recognition of our achievements and contribution to local economies, and (ii) an increase from nil in 2017 to RMB8.7 million in interest income from a related party in relation to the loan extended to Baokai Daorong. Our other income as a percentage of our total revenue increased from 0.9% in 2017 to 2.5% in 2018.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 5.2% from RMB229.1 million in 2017 to RMB241.0 million in 2018, primarily due to (i) an increase in staff costs of RMB19.4 million in connection with the increase in headcount of sales force, (ii) increase in transportation expenses due to development in online sales channels, partially offset by a decrease in promotional expenses as we became less dependent on external marketing and promotion services and decreased our ancillary service fees to Liby Group. Our selling and distribution expenses as a percentage of our total revenue increased from 17.0% in 2017 to 17.9% in 2018.

Administrative Expenses

Our administrative expenses increased by 38.7% from RMB30.0 million in 2017 to RMB41.6 million in 2018, primarily due to the increase in wages and salaries as well as travel expenses as a result of the increase in headcount in relation to the optimization of our functional departments. Our administrative expenses as a percentage of our total revenue increased from 2.2% in 2017 to 3.1% in 2018.

Other Gains and Losses

We realized other losses of approximately RMB7.6 million for 2017 and realized other gains of approximately RMB100,000 for 2018. Our other losses for 2017 represent our one-off losses in relation to disposal of property, plant and equipment primarily related to an obsolete warehouse which was scrapped at our Anfu plant. Our other gains for 2018 was also primarily in relation to retirement of property plants and equipment.

Impairment Losses in respect of trade receivables, net of reversal

Our impairment losses in respect of trade receivables, net of reversal increased by 205.6% from RMB160,000 in 2017 to RMB489,000 in 2018, primarily in connection with provisions made in accordance with our accounting policies primarily related to trade receivables from our other products.

Finance Costs

Our finance costs increased by 68.7% from RMB182,000 in 2017 to RMB307,000 in 2018 primarily in relation to interest expenses on lease liabilities.

Listing Expense

Our listing expense increased from nil in 2017 to RMB11.4 million in 2018.

Profit before Tax

As a result of the foregoing, our profit before income tax increased by 5.7% from RMB228.6 million in 2017 to RMB241.6 million in 2018.

Income Tax Expense

Our income tax expense increased by 10.4% from RMB58.5 million in 2017 to RMB64.5 million in 2018. Our effective tax rate slightly increased from 25.6% in 2017 and 26.7% in 2018.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 4.0% from RMB170.2 million in 2017 to RMB177.0 million in 2018. Our net profit margin remained increased from 12.6% in 2017 to 13.1% in 2018.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we funded our operations primarily with net cash generated from our business operations. After the Global Offering, we intend to finance our future capital requirements through the same sources of funds above, together with the net proceeds we received from the Global Offering.

As of December 31, 2020, we had RMB884.8 million in cash and cash equivalents, most of which were denominated in RMB. Our cash and cash equivalents primarily consist of cash on hand and bank balances.

Our Directors are of the view that, taking into account the net proceeds from the Global Offering and the financial resources available to us, including cash and cash equivalents, our available banking facilities and cash flows from operating activities, we have sufficient working capital for our present requirements, that is at least 12 months from the date of this prospectus.

Our Directors confirm that there was no material defaults in payment of trade and non-trade payables and bank borrowings, and/or breaches of financial covenants during the Track Record Period.

Consolidated Cash Flow Statements

The following table sets forth a summary of our consolidated cash flow statements for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Operating cash flows before movements in working capital	233,469	238,689	241,124	224,464	296,359
Movements in working capital	415,143	(270,681)	298,070	(96,167)	(283,207)
Income tax paid	(73,263)	(81,661)	(66,573)	(60,496)	(41,968)
Net cash from (used in) operating activities	575,349	(113,653)	472,621	67,801	(28,816)
Net cash (used in) from investing activities	(495,092)	401,481	59,785	(112,338)	(349,666)
Net cash (used in) from financing activities	(1,628)	(192,847)	(231,268)	(51,938)	158,112
Net increase (decrease) in cash and cash equivalents	**78,629**	**94,981**	**301,138**	**(96,475)**	**(220,370)**
Cash and cash equivalents at beginning of the year/period	36,287	114,916	209,897	209,897	511,035
Cash and cash equivalents at end of the year/period	**114,916**	**209,897**	**511,035**	**113,422**	**290,665**

Operating Activities

Our net cash used in operating activities for the nine months ended September 30, 2020 was RMB28.8 million, resulting from our profit before taxation of RMB271.3 million, adjustment of non-cash and non-operating items, movements in working capital, and income tax paid. Our movements in working capital primarily reflected (i) a decrease in contract liabilities of RMB354.6 million as a result of the seasonal concentration of customer prepayments in the first and fourth quarters of a year and the corresponding decrease of contract liabilities as we gradually fulfill the prepaid orders during the year; (ii) a decrease of RMB42.4 million in trade and other payables; and (iii) an increase in amounts due from related parties of RMB41.9 million which was primarily in relation to our increased sales to Liby Group, partially offset by a decrease of inventories of RMB187.8 million primarily due to our adoption of "make-to-order" model which effectively reduced the inventories of raw materials, work-in-progress as well as finished goods and increased sales.

Our net cash generated from operating activities for the year ended December 31, 2019 was RMB472.6 million, resulting from our profit before taxation of RMB232.2 million, adjustment of non-cash and non-operating items, movements in working capital, and income tax paid. Our movements in working capital primarily reflected (i) an increase in contract liabilities of RMB301.8 million, representing the increased prepayments collected from customers resulting from our increased sales; and (ii) a decrease in inventories of RMB109.8 million in relation to the sale of our products and a decrease in raw materials, as we transitioned our production process to a "make-to-order" model with respect to disinfectant and antibacterial products from 2019 partially offset by (i) an increase in trade and other receivables of RMB30.3 million, primarily in connection with the increasing sales through online channels; and (ii) a decrease in trade and other payables of RMB53.6 million primarily due to a decrease in trade payables as we were able to reduce the raw material reserves and work-in-progress since we transitioned to "make-to-order" model.

Our net cash used in operating activities for the year ended December 31, 2018 was RMB113.7 million, resulting from our profit before taxation of RMB241.6 million, adjustment of non-cash and non-operating items, movements in working capital, and income tax paid. Our movements in working capital primarily reflected (i) a decrease in amounts due to related parties of RMB164.8 million as we made payments for service fees in 2018 and gradually settled our amounts due to the related parties during the course of Reorganization; (ii) an increase in inventories of RMB108.0 million primarily due to an increase in work-in-progress as we increased production approaching the year end based on sales estimates; and (iii) a decrease in contract liabilities of RMB69.5 million because some of our distributors made pre-orders and paid cash advances earlier at the end of 2017 in anticipation of our product upgrades and price raise in 2018, resulting in a decrease in advances received by us.

Our net cash generated from operating activities for the year ended December 31, 2017 was RMB575.3 million, resulting from our profit before taxation of RMB228.6 million, adjustment of non-cash and non-operating items, movements in working capital, and income tax paid. Our movements in working capital primarily reflected (i) an increase contract liabilities of RMB199.3 million due to interest-free advance payments from customers; (ii) an increase in amounts due to related parties of RMB154.4 million; and (iii) an increase in trade and other payables of RMB120.0 million; partially offset by (i) an increase in inventories of RMB65.8 million; and (ii) an increase in amounts due from related parties of RMB50.0 million.

Investing Activities

Net cash used in investing activities in the nine months ended September 30, 2020 was RMB349.7 million, which was primarily attributable to (i) the purchase of financial assets at FVTPL of RMB1,130.6 million in connection with our structured deposits as we accumulated surplus cash at hand along with the increased sales; and (ii) the purchase of property, plant and equipment of RMB22.5 million in connection with the upgrade of machinery and the establishment of a new warehouse at our Anfu Plant, partially offset by the proceeds on disposal of financial assets at FVTPL of RMB795.6 million in connection with the redemption of our structured deposits.

Net cash from investing activities in 2019 was RMB59.8 million, which was primarily attributable to the proceeds on disposal of financial assets at FVTPL of RMB1,786.0 million in connection with the redemption of our structured deposits, partially offset by the purchase of financial assets at FVTPL of RMB1,761.0 million in connection with our structured deposits and the purchase of property, plant and equipment of RMB30.0 million in connection with the upgrade of machinery and the establishment of a new warehouse at our Anfu Plant.

Net cash from investing activities in 2018 was RMB401.5 million, which was primarily attributable to proceeds on disposal of financial assets at FVTPL of RMB566.0 million in connection with the redemption of our structured deposits and repayments from related parties of RMB563.4 million, partially offset by the purchase of financial assets at FVTPL of RMB591.0 million in connection with our structured deposits and advances to related parties of RMB117.0 million.

Net cash used in investing activities in 2017 was RMB495.1 million, which was primarily attributable to (i) advances to related parties of RMB523.0 million and (ii) purchase of property, plant and equipment of RMB27.3 million during the course of our business operation, partially offset by the repayment from related parties of RMB55.5 million.

Financing Activities

Net cash from financing activities in the nine months ended September 30, 2020 was RMB158.1 million, which was mainly attributable to the RMB300.0 million bank borrowings we drew down in the first nine months of 2020 as we were designated as a National Key Epidemic Prevention Enterprise certified by the Ministry of Industry and Information Technology, and were granted such bank borrowings under the local government's anti-epidemic support schemes which was used for operating purpose, partially offset by the consideration paid for the acquisition of equity interests in certain subsidiaries in the total amount of RMB101.5 million, such as Anfu Cheerwin, Guangzhou Cheerwin and Panyu Cheerwin, and the dividends paid of RMB79.1 million.

Net cash used in financing activities in 2019 was RMB231.3 million, which was mainly attributable to the dividends paid of RMB221.0 million in relation to the Reorganization.

Net cash used in financing activities in 2018 was RMB192.8 million, which was mainly attributable to dividends paid of RMB218.9 million in relation to the Reorganization.

Net cash used in financing activities in 2017 was RMB1.6 million, which was mainly attributable to the repayment of lease liabilities of RMB1.4 million.

CAPITAL EXPENDITURES

Our capital expenditures increased from RMB25.3 million in 2017 to RMB48.8 million in 2018, and decreased to RMB38.5 million in 2019 and further decreased to RMB20.1 million for the nine months ended September 30, 2020. Our capital expenditures were used primarily for purchase of items of property, plant and equipment and right-of-use assets. The following table sets forth our capital expenditures for the periods indicated.

	For the year ended December 31,						**For the nine months ended September 30,**	
	2017		**2018**		**2019**		**2020**	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Property, plant and equipment	19,097	75.5	48,190	98.8	30,433	79.0	18,668	92.7
Right-of-use assets	6,184	24.5	579	1.2	8,084	21.0	1,471	7.3
Total	**25,281**	**100.0**	**48,769**	**100.0**	**38,517**	**100.0**	**20,139**	**100.0**

The capital expenditure incurred for the year ended December 31, 2017, 2018, 2019 and the nine months ended September 30, 2020 primarily represented construction of our new plant. We financed our capital expenditures primarily through our cash generated from our operating activities.

Additional capital expenditures for the year ending December 31, 2020 are estimated at approximately RMB11.9 million, which are used primarily to finance facility expansions and additional equipment for our Anfu Plant. We estimate that the capital expenditure for the year ending December 31, 2021 will be approximately RMB48.3 million, which will be mainly for construction investment and improvement of our Anfu Plant and supply chain. We expect to fund these capital expenditures with a combination of cash generated from our operations, bank loans and the net proceeds received from the Global Offering.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Capital Commitments

Our capital commitments during the Track Record Period were primarily relating to the acquisition of property, plant and equipment. As of December 31, 2017, 2018 and 2019 and September 30, 2020, the total amount of our capital expenditures contracted for but not provided in the consolidated financial statements was RMB32.2 million, RMB28.0 million, RMB40.7 million and RMB18.7 million, respectively.

Lease Liabilities

Our lease liabilities represent the lease in relation to the leasing properties for our offices, plants and warehouses. We had lease liabilities amounting to approximately RMB7.5 million, RMB4.4 million, RMB10.1 million and RMB7.6 million as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively. As of December 31, 2020, we had lease liabilities amounted to approximately RMB6.9 million. Please refer to "Appendix I – Accountants' Report – Note 26A" for further details.

CURRENT ASSETS AND LIABILITIES

We recorded net current assets of RMB216.6 million as of December 31, 2017 and net current liabilities of RMB21.5 million and RMB170.4 million, respectively, as of December 31, 2018 and 2019. We recorded net current assets of RMB33.1 million and RMB45.5 million, respectively, as of September 30 and December 31, 2020. The following table sets forth a breakdown of our current assets and liabilities as of the dates indicated.

	As of December 31,			As of September 30,	As of December 31,
	2017	**2018**	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Current assets					
Inventories	378,657	484,818	373,266	168,072	359,794
Trade and other receivables	31,623	60,349	91,108	92,094	102,167
Tax recoverable	–	4,951	7,669	814	3,802
Amounts due from shareholders	–	2	1	–	–
Amounts due from related parties	553,263	77,344	51,553	93,441	47,739
Financial assets at fair value through profit or loss ("FVTPL")	–	25,000	–	335,000	–
Bank balances and cash	114,916	209,897	511,035	290,665	884,766
Total current assets	1,078,459	862,361	1,034,632	980,986	1,398,268
Current liabilities					
Trade and other payables	317,725	386,006	338,595	289,885	411,380
Contract liabilities	223,547	154,057	455,905	101,317	486,752
Amounts due to related parties	271,588	254,004	196,050	129,105	110,222
Amounts due to shareholders	20,000	77,549	207,383	101,783	–
Lease liabilities	1,838	1,577	3,225	2,049	1,783
Income tax payables	27,210	10,708	3,910	22,877	42,658
Borrowing	–	–	–	300,000	300,000
Total current liabilities	**861,908**	**883,901**	**1,205,068**	**947,016**	**1,352,795**
Net current assets (liabilities)	**216,551**	**(21,540)**	**(170,436)**	**33,070**	**45,473**

We recorded net current assets of RMB45.5 million as of December 31, 2020, as compared to net current assets of RMB33.1 million as of September 30, 2020. Our net current assets position as of December 31, 2020, primarily reflected (i) an increase in bank balances and cash of RMB594.1 million as we received the prepayments from our customers, which generally concentrate in the first and the fourth quarters of each year, (ii) an increase in inventories of RMB191.7 million as we procured more raw materials and increased our production in preparation for the peak sales season in the first half of each year, and (iii) a decrease in amounts due to shareholders of RMB101.8 million as we settled the dividends and consideration payable to the shareholders of the Group in connection with the Reorganization, partially offset by (i) an increase in contract liabilities of RMB385.4 million as we received the prepayments from our customers, which generally concentrate in the first and the fourth quarters of each year, (ii) a decrease in financial assets at fair value through profit or loss of RMB335.0 million as we sold our wealth management products according to our cash management plans; financial assets at fair value through profit or loss during the Track Record Period represented structured deposits which were mainly consisted of non-principal protected money market funds issued by domestic commercial banks, and (iii) an increase in trade and other payables of RMB121.5 million because we typically procure most raw materials in the last quarter of the year in preparation for the peak sales season in the first half of each year.

We recorded net current assets of RMB33.1 million as of September 30, 2020, as compared to net current liabilities of RMB170.4 million as of December 31, 2019, primarily due to (i) an increase in financial assets at fair value through profit or loss of RMB335.0 million such as structured deposits, and (ii) a decrease in contract liabilities of RMB354.6 million in relation to the delivery of our products to our distributors during the nine months ended September 30, 2020, partially offset by (i) a decrease in bank balances and cash of RMB220.4 million, (ii) a decrease in inventories of RMB205.2 million primarily due to a high demand of our household cleaning products and personal care products due to the outbreak of COVID-19, and (iii) the increase in short-term bank borrowing of RMB300.0 million as we were designated as a National Key Epidemic Prevention Enterprise certified by the Ministry of Industry and Information Technology, and were granted such bank borrowings under the local government's anti-epidemic support schemes which was used for operating purpose.

Our net current liabilities increased from RMB21.5 million as of December 31, 2018 to RMB170.4 million as of December 31, 2019, primarily due to (i) an increase in contract liabilities of RMB301.8 million in relation to advances from customers for our products at the end of 2019; (ii) an increase in amounts due to shareholders of RMB129.8 million in relation to the dividends and consideration payable to the shareholders of the Group in connection with the Reorganization, and (iii) a decrease in inventories of RMB111.6 million as we transitioned our production process to "make-to-order" model which enabled us to achieve reduction in the raw material reserves and work-in-progress, partially offset by an increase in bank balances and cash of RMB301.1 million resulting from our business growth.

We recorded net current liabilities of RMB21.5 million as of December 31, 2018, compared to net current assets of RMB216.6 million as of December 31, 2017. Our net current liabilities position as of December 31, 2018 primarily reflects a decrease in amounts due from related parties of RMB475.9 million as we received repayment from Baokai Daorong and Liby Group for our loans in 2018, partially offset by (i) an increase in inventories of RMB106.2 million as a result of an increase in work-in-progress as we increased production based on sales estimates, (ii) an increase in bank balances and cash of RMB95.0 million, and (iii) a decrease in contract liabilities of RMB69.5 million in relation to the delivery of our products to our distributors at the end of 2018.

Our net current liability positions as of December 31, 2018 and 2019 were primarily attributable to the amounts due to shareholders as a result of the dividend declaration in connection with the Reorganization. Such amount was fully settled by us prior to December 31, 2020. Hence, we have significantly improved our liquidity position and achieved current asset position of RMB45.5 million as of December 31, 2020 and we believe that our working capital and liquidity position will continue to improve going forward.

To improve our negative operating cash flow and net current liabilities position, we intend to implement the following liquidity management policies, including (i) prepare cash flows budgets and perform variance analyses on a monthly basis; (ii) monitor our liquidity position to ensure we have sufficient funds to meet obligations when they become due; and (iii) implement a budgeting and forecasting process. Our accounting manager will be responsible for preparing monthly cash flow forecast reports and our Directors will be responsible for reviewing the actual budget variance analysis on a monthly basis for monitoring the cash inflow and outflow. In addition, we intend to further improve profitability, control operating costs and contain capital expenditures in order to improve our operating performance and alleviate its liquidity risk.

Taking into account cash and cash equivalents on hand, our operating cash flows, the available bank facilities, the dividend to be paid by us and the estimated net proceeds available to us from the Global Offering, our Directors believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus. As of December 31, 2020, we had cash and cash equivalents of RMB884.8 million.

Our future cash requirements will depend on many factors, including our operating income, capital expenditures on property, plant and equipment and intangible assets, market acceptance of our products or other changing business conditions and future developments, including any investments or acquisitions we may decide to pursue. We may require additional cash due to changing business conditions or other future developments. If our existing cash is insufficient to meet our requirements, we may seek to issue debt securities or borrow from lending institutions.

ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Inventories

Our inventories consist of raw materials, work-in-progress, and finished goods. To minimize the risk of inventory build-up, we review our inventory levels based on product categories on a regular basis. We believe that maintaining appropriate levels of inventories can help us better plan for the production and deliver our products to meet customer demand in a timely manner without straining our liquidity. The value of our inventories accounted for 35.1%, 56.2%, 36.1% and 17.1% of our total current assets as of December 31, 2017, 2018 and 2019 and September 30, 2020 respectively.

The following table sets forth a summary of our inventory balances as of the dates indicated.

	As of December 31,			As of September 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	71,628	76,930	57,578	32,178
Work-in-progress	52,052	211,992	48,260	10,283
Finished goods	254,977	195,896	267,428	125,611
Total	**378,657**	**484,818**	**373,266**	**168,072**

Our inventory increased by 28.0% from RMB378.7 million as of December 31, 2017 to RMB484.8 million as of December 31, 2018, primarily due to an increase in work-in-progress as we increased production based on sales estimates. Our inventory decreased by 23.0% from RMB484.8 million as of December 31, 2018 to RMB373.3 million as of December 31, 2019, primarily due to a decrease in work-in-progress due to the transition of our production process to a make-to-order model to improve inventory turnover and production efficiency. Our inventory decreased by 55.0% from RMB373.3 million as of December 31, 2019 to RMB168.1 million as of September 30, 2020, primarily due to the adoption of our "make-to-order" model which effectively reduced the inventory level and, to a lesser extent, an increased sales as a result of a high demand of our household cleaning products and personal care products due to the outbreak of COVID-19. As of January 31, 2021, RMB87.8 million, or 52.2% of our inventories as of September 30, 2020, had been consumed.

The following table sets forth our inventory turnover days for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,
	2017	2018	2019	2020
Inventory turnover days(1)	144.4	183.3	197.1	87.5

Note:

(1) Inventory turnover days are equal to the average balance of inventory net of provision at the beginning and the end of the relevant period divided by cost of sales for such period and multiplied by 360 days for the years ended December 31, 2017, 2018 and 2019 and multiplied by 270 days for the nine months ended September 30, 2020.

Our inventory turnover days increased from 144 days in 2017 to 183 days in 2018, and increased to 197 days in 2019. Our inventory turnover days are relatively higher for 2017, 2018 and 2019 as the balance of inventory at the beginning and end of the year is used for calculation, and due to the nature of business, our inventory level is relatively higher at the beginning and end of each year. The lower inventory turnover days for 2017 was primarily due to the lower level of inventories at the beginning of 2017 when we began our business operations. The inventory turnover days increased from 2018 to 2019 was a combined result of the higher ending balance, especially that for work-in-progress, as of December 31, 2018 as we increased production activities by the end of 2018 in anticipation of business growth. Our inventory turnover days were 87.5 days for the nine months ended September 30, 2020, primarily because the reduced inventory level as a result of the adoption of our "make-to-order" model which effectively reduced the inventory level and, to a lesser extent, the increased sales, especially our disinfectant and antibacterial products, during the COVID-19 outbreak in the nine months ended September 30, 2020. Our "make-to-order" model allows manufacturing to be planned and carried out based on actual purchase orders received, which in turn enables us to more accurately plan the purchases of raw materials as well as reduce work-in-progress and finished goods. We aim to continue to actively manage our inventory turnover days in the future.

Trade and Other Receivables

The following table sets forth our trade and other receivables as of the dates indicated.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	6,279	7,251	8,158	16,264
Less Allowance for doubtful debts/credit losses	(160)	(1,257)	(992)	(2,671)
Prepayments for purchase of raw materials	2,904	4,865	12,742	26,249
Prepaid promotion expenses	952	6,172	2,592	5,817
Other taxes recoverable	13,562	21,700	39,999	19,269
Deferred issue costs	–	3,807	8,239	10,994
Receivables from payment intermediaries[1]	–	–	8,035	5,598
Others	8,086	17,811	12,335	10,574
Total	**31,623**	**60,349**	**91,108**	**92,094**

Note:

(1) Receivables from payment intermediaries represent the sales received by Alipay, Jingdong and other payment on behalf of us for the online platform sales. The balance will be transferred back to our bank accounts upon our instruction. We started to record receivables from payment intermediaries after we commenced operating self-operated online stores on major e-commerce platforms in 2019.

Trade Receivables

During the Track Record Period, we required advanced payment from most of our distributors, upon or prior to delivery of our products. However, we granted credit terms of 5 to 60 days after the issue of invoice to certain of our customers that made relatively large purchases from us, had relatively large business scale, had good credit records and certain online distributors. We assess the credit worthiness of our customers through inquiries into their credit profiles and reputation in the industry and by collection and reviewing materials regarding their operating history, sales performance, relationship history with us, past credit problems and financial conditions. We limit the amounts of these credits available to customers and regularly review the credit terms we grant to them.

The following table sets forth our comprehensive turnover days for trade receivables and trade-nature amounts due from related parties and turnover days for trade receivables due from independent third parties, respectively, for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,
	2017	2018	2019	2020
Comprehensive turnover days for trade receivables and trade-nature amounts due from related parties[1]	N/A[2]	10.7	11.0	15.7
Turnover days for trade receivables due from independent third parties[3]	N/A[2]	2.34	2.53	2.84

Notes:

(1) Comprehensive turnover days for trade receivables and trade-nature amounts due from related parties are equal to the average gross balance of trade receivables and trade-nature amounts due from related parties at the beginning and the end of the relevant period divided by revenue for such period and multiplied by 360 days for the years ended December 31, 2017, 2018 and 2019 and 270 days for the nine months ended September 30, 2020.

(2) As our standalone trade receivables settlement system, which is the settlement system we built during the course of Reorganization that is designed solely for our Company's trade receivables settlement, was not established at the end of 2016, the trade receivables turnover days in 2017 is not comparable to trade receivables turnover days of other periods.

(3) Turnover days for trade receivables due from independent third parties are equal to the average balance of trade receivables due from independent third parties at the beginning and the end of the relevant period divided by revenue derived from such third parties for such period and multiplied by 360 days for the years ended December 31, 2017, 2018 and 2019 and 270 days for the nine months ended September 30, 2020.

Our comprehensive turnover days for trade receivables and trade-nature amounts due from related parties were 10.7 days in 2018, 11.0 days in 2019 and 15.7 days for the nine months ended September 30, 2020. In general, we maintained relatively short turnover days during the Track Record Period mainly because we required advanced payment from most of our third-party customers before the delivery of our products.

The following table sets forth the aging analysis, based on due date, of our trade receivables (net of allowance for doubtful debts/credit losses) as of the dates indicated.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not due	4,338	4,707	3,920	5,118
Within 30 days	596	29	15	4,340
31-60 days	345	–	45	4,135
61-90 days	15	63	54	–
91-120 days	186	–	–	–
121-180 days	152	681	1,553	–
181-365 days	360	111	643	–
over 365 days	127	403	936	–
Total	**6,119**	**5,994**	**7,166**	**13,593**

During the Track Record Period, a portion of our trade receivables were over 365 days which were mainly payables by grocery stores that had engaged direct transactions with Guangzhou Tongli prior to the acquisition by us. In addition, a portion of our trade receivables aged over 180 days longer than the credit terms we offered to distributors/customers, primarily because we discontinued business relationships with certain distributors during the Track Record Period and are in the final settlement process with such distributors. We have further implemented certain procedures to strengthen our credit control. For instance, we are actively monitoring the credit terms of our customers and follow up on collection regularly to ensure greater control over our trade receivables.

During the Track Record Period, instead of conducting an individual review on each of the debtors to determine the impairment, we adopted a general impairment policy and assessed the expected credit losses of our trade receivables that were not credit-impaired based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors and past due status of respective receivables since the adoption of IFRS 9 on January 1, 2018. For trade receivable balances that were aged over 365 days as at December 31, 2019, considering the high credibility of these customers, their good track record with us, subsequent settlements and based on past experience, our management is of the view that there is no material increase in the credit risk of these debtors as we maintained continuous communications with these debtors for settlements and also considered the past settlement pattern of these debtors, receivables due from these debtors as at December 31, 2019 were still within the settlement pattern. As such, our management is of the opinion that these receivables were recoverable shortly after year end and no impairment is necessary in respect of the remaining unsettled balances. During the nine-month period ended September 30, 2020, we continued to make attempts to collect the outstanding receivables and we re-assessed the recoverability of the receivables that were outstanding for a relatively long period as at September 30, 2020 on a case-by-case basis. We determined to terminate the business relationship with certain of these debtors and made the relevant provisions in full as at September 30, 2020.

As of December 31, 2020, RMB13.5 million, or 99.6% of our trade receivables as of September 30, 2020, had been settled.

Related Party Transaction

Amounts due from related parties

Amounts due from related parties was approximately RMB553.3 million, RMB77.3 million, RMB51.6 million and RMB93.4 million as of December 31, 2017, 2018 and 2019, and September 30, 2020, respectively.

Among these amounts, RMB49.0 million, RMB17.3 million, RMB51.6 million and RMB93.3 million as of December 31, 2017, 2018 and 2019, and September 30, 2020, respectively, were trade in nature and primarily represented receivables from the sale of our products (excluding prepayments to related parties) to Liby Group which further on-sell our products. These amounts were unsecured and interest-free and with credit terms of 45 days in general. As of December 31, 2020, all of our trade-nature amounts due from related parties as of September 30, 2020 had been settled. In addition, there were trade related prepayments, which mainly represented the prepaid property management fees by us that had not been utilized, in the amount of RMB1.1 million, RMB0.6 million, nil and 0.1 million as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively. Such amounts will not be fully settled prior to the Listing as the relevant property management service arrangements are continuing connected transactions following the Listing.

	For the year ended December 31,			For the nine months ended September 30,
	2017	**2018**	**2019**	**2020**
Turnover days for trade-nature amounts due from related parties(1)	N/A(2)	38.4	43.2	64.7

Notes:

(1) Turnover days for trade-nature amounts due from related parties are equal to the average balance of trade-nature amounts due from related parties at the beginning and the end of the relevant period divided by sales to related parties for such period and multiplied by 360 days for the years ended December 31, 2017, 2018 and 2019 and 270 days for the nine months ended September 30, 2020.

(2) As our standalone trade receivables settlement system, which is the settlement system we built during the course of Reorganization that is designed solely for our Company's trade payables settlement, was not established at the end of 2016, the trade receivables turnover days in 2017 is not comparable to trade receivables turnover days of other periods.

In addition, among the amounts due from related parties, RMB503.2 million, RMB59.5 million, RMB1,000 and nil as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively, were non-trade in nature. We provided a loan of RMB253.0 million to a subsidiary of Baokai Daorong with a maturity period within one year and an effective interest rate of 4.35% per year in 2017, as well as non-trade advances of RMB59.5 million to another subsidiary of Baokai Daorong which is interest-free, unsecured and repayable on demand in 2018. These amounts were fully repaid in 2018 and 2019, respectively. We also provided interest-free, unsecured, non-trade advances to Liby Group in 2017, which were fully repaid to us in 2018. For more information on our related party transactions, please see Note 20 to "Appendix I – Accountants' Report" to this prospectus. The financing arrangements with Baokai Daorong and the relevant distributors have been terminated and all outstanding amount due to Baokai Daorong from our distributors have been repaid as at the Latest Practicable Date.

The above mentioned loans to subsidiaries of Baokai Daorong and to Liby Group involved the lending of money which may not be in compliance with the General Lending Provisions (《貸款通則》), a regulation promulgated by the PBOC in 1996. According to the General Lending Provisions, only financial institutions may legally engage in the business of extending loans, and loans as between companies that are not financial institutions are prohibited. The PBOC and its branches shall be the regulatory authorities for the implementation of the General Lending Provisions. The PBOC may impose penalties on the lender equivalent to one to five times of the income generated (being interests charged) from loan advancing activities. In our case, the potential maximum penalties on us in connection with the loans and advances to the related parties mentioned-above would be up to approximately RMB43.4 million. However, according to the interview with the officer from the Money & Credit Management Department of PBOC Guangzhou Branch, which as confirmed by our PRC Legal Advisers is a competent authority according to the General Lending Provisions, the lending and borrowing activities between us and Liby Group/Baokai Daorong will not be penalized by the PBOC and the legality of such loan arrangement shall refer to the relevant judicial interpretation of the Supreme People's Court. According to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "Provisions") promulgated on June 23, 2015 and effective on September 1, 2015, borrowing agreements are valid if extended for purposes of financing production or business operations. PRC courts will also support a company's claim for interest in respect of such a loan as long as the annual interest rate does not exceed 24%. Pursuant to the Notice of the Supreme People's Court on Conscientiously Studying, Implementing and Applying the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於認真學習貫徹適用《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》的通知) published on August 25, 2015, the Provisions shall apply to loans entered into prior to the implementation of the Provisions that are invalid under the former judicial interpretations but valid under the Provisions. Pursuant to the Provisions, private lending contracts concluded between legal persons or other organizations are effective and valid under PRC law except where the contracts for the lending (i) are void under the PRC Contract Law or (ii) fall within the scope of void lending contracts as particularly provided in the Provisions. According to the amendment of the Provisions in 2020, if the borrowing or lending occurs before August 20, 2019, the upper limit of protected interest rate may be determined as four times of the prevailing loan prime rate as designated by the PBOC at the time when the plaintiff files the lawsuit.

As confirmed by the Directors, as of the Latest Practicable Date, we had not received any notice of claim or penalty relating to such advances. We are advised by our PRC Legal Advisers that under normal circumstances and based on the interview with the PBOC Guangzhou Branch, the possibility that the PBOC would impose a penalty on us in respect of the abovementioned advances pursuant to the General Lending Provisions is low. In addition, upon the completion of this Global Offering, we will comply with the relevant Listing Rules and adopt a more prudent approach when reviewing and engaging related party transactions.

To comply with the above mentioned laws, regulations, rules and government policies relating to the private lending, we intend to implement various internal policies and procedures, including (i) performing regular inspection/review of our existing financing arrangement with related parties, (ii) establishing authorization and approval protocols for potential transactions, especially consulting our legal department with respect to relevant legal risks in advance, and (iii) monitor the new regulations that will be promulgated in the future on lending practice.

Amounts due to related parties

As of December 31, 2017, 2018, 2019 and September 30, 2020, our amounts due to related parties was RMB271.6 million, RMB254.0 million, RMB196.1 million and RMB129.1 million, respectively. Among these amounts, RMB271.6 million, RMB106.8 million, RMB110.9 million and RMB78.7 million as of December 31, 2017, 2018 and 2019 and as of September 30, 2020 were trade in nature and primarily represented payables to Liby Group and in relation to its provision of services including outsourced manufacturing services and ancillary service. These amounts were unsecured and interest-free and with credit terms of mainly 20 to 60 days. In addition, among the amounts due to related parties, RMB147.2 million, RMB85.2 million and RMB50.4 million as of December 31, 2018 and 2019 and September 30, 2020, respectively were non-trade in nature, interest free, unsecured and repayable on demand. These amounts represent dividend payables of Panyu Cheerwin and Anfu Cheerwin as well as consideration for the acquisition of Panyu Cheerwin and Anfu Cheerwin payable to Liby Group, Faguo Kangliang and Tianjin Aotelai in relation to the Reorganization. All such non-trade related payables were settled in January 2021. For further details, please refer to the section headed "History, Reorganization and Corporate Structure – Reorganization".

Amounts due to shareholders

As of December 31, 2017, 2018, 2019 and September 30, 2020, our amounts due to shareholders was RMB20.0 million, RMB77.5 million, RMB207.4 million and RMB101.8 million, respectively, which primarily represent dividends and consideration payable to the shareholders of subsidiaries of the Group in connection with the Reorganization.

Our Directors confirm that all other non-trade amounts due to/from related parties had been settled as of the Latest Practicable Date.

Trade and Other Payables

The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	222,292	295,493	172,146	82,686
Accrued sales rebates	61,080	38,349	83,910	105,736
Other accrued expenses	14,510	6,966	20,497	22,629
Accrued staff payroll and welfare	7,403	8,249	12,623	26,100
Construction costs payables	4,177	5,165	11,369	3,217
Other tax payables	4,773	11,166	1,881	8,801
Other payables	3,490	12,717	11,368	8,483
Accrued issued costs and listing expenses	–	7,901	24,801	32,233
Total	**317,725**	**386,006**	**338,595**	**289,885**

Trade payables

Our trade payables mainly relate to the procurement of raw materials and manufacturing services provided by our OEM and ODM partners. Our trade payables increased by 32.9% from RMB222.3 million as of December 31, 2017 to RMB295.5 million as of December 31, 2018. Our trade payables decreased by 41.7% from RMB295.5 million as of December 31, 2018 to RMB172.1 million as of December 31, 2019. Our trade payables decrease by 52.0% from RMB172.1 million as of December 31, 2019 to RMB82.7 million as of September 30, 2020. The fluctuations mainly reflected the different settlement arrangements with our suppliers.

The following table sets forth our trade payables turnover days for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,
	2017	2018	2019	2020
Trade payables turnover days[1]	N/A[2]	109.9	107.4	41.2

Notes:

(1) Trade payables turnover days are equal to the average balance of trade payables at the beginning and the end of the relevant period divided by cost of sales for such period and multiplied by 360 days for the years ended December 31, 2017, 2018 and 2019 and 270 days for the nine months ended September 30, 2020.

(2) As our standalone trade payables settlement system, which is the settlement system we built during the course of Reorganization that is designed solely for our Company's trade payables settlement, was not established at the end of 2016, the trade payables turnover days in 2017 is not comparable to trade payables turnover days of other periods.

Our trade payables turnover days were 109.9 days in 2018, 107.4 days in 2019 and 41.2 days in the nine months ended September 30, 2020. Our trade payables turnover days in 2018 and 2019 were longer than the typical credit period of 20 to 60 days granted to us by our suppliers primarily because we have relatively higher purchase level at the end of the year. The shorter trade payable turnover days in the nine months ended September 30, 2020 was mainly due to the relatively higher cost of sales incurred in the first nine months of a year as well as the lower level of trade payable during such period. As a result of the product mix the Company produces and sell, it typically incurs higher costs of sales in the first nine months of a year. The Company typically completes most of its procurement of raw materials in the last quarter of the year, resulting in lower level of accounts payable during the first nine months of a year.

The following table sets forth the aging analysis of our trade payables as of the dates indicated, based on the due date.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current (not past due)	207,245	258,076	140,457	69,782
1-30 days past due	5,777	37,198	31,689	8,343
31-60 days past due	6,927	219	–	2,679
61-90 days past due	2,343	–	–	1,882
Total	**222,292**	**295,493**	**172,146**	**82,686**

As of January 31, 2021, RMB67.4 million, or 81.5% of our trade payables as of September 30, 2020, had been settled.

Others

Others under trade and other payables mainly includes accrued staff payroll and welfare, primarily in connection with our year-end accrued but yet paid salaries and bonuses, other accrued expenses, accrued sales rebates payable to our distributors, construction costs payables mainly in connection with our construction and upgrades of our plants, other tax payables, which mainly include value-added tax, business tax and additional business tax and so on, accrued issued costs and listing expenses and others.

Others decreased by 5.2% from RMB95.4 million as of December 31, 2017 to RMB90.5 million as of December 31, 2018, primarily due to (i) a decrease in accrued sales rebates to our distributors of RMB22.7 million, partially offset by (ii) an increase of RMB9.2 million in other payables including deposits provided by OEM manufacturers and (iii) an increase of RMB7.9 million in accrued issued costs and listing expenses.

Others increased by 83.9% from RMB90.5 million as of December 31, 2018 to RMB166.4 million as of December 31, 2019, primarily due to an increase of RMB45.6 million in accrued sales rebates to our distributors primarily related to the increased sales.

Others increased by 24.5% from RMB166.4 million as of December 31, 2019 to RMB207.2 million as of September 30, 2020, primarily due to an increase of RMB21.8 million in accrued sales rebates to our distributors primarily related to the increased sales, and an increase of RMB13.5 million in accrued staff payroll and welfare.

Equity

	As of December 31,			**As of September 30,**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share capital/paid-in capital	50,600	80,602	28,501	1
Reserves	292,387	45,169	(15,267)	229,184
Equity attributable to owners of the Company	342,987	125,771	13,234	229,185
Non-controlling interests	–	–	696	3,338
Total Equity	**342,987**	**125,771**	**13,930**	**232,523**

Share capital

Our paid-in capital as of December 31, 2017 represented the combined share capital of Cheerwin Biotechnology of RMB5,000,000, Anfu Cheerwin of RMB30,000,000 and Panyu Cheerwin of RMB15,600,000 attributable to the Controlling Shareholders.

In connection with the Reorganization, our paid-in capital as of December 31, 2018 was changed and represented the combined share capital of Cheerwin Group Limited of RMB1,000, Cheerwin Group BVI of RMB1,000, Guangzhou Cheerwin of RMB30,000,000, Cheerwin Biotechnology of RMB5,000,000, Anfu Cheerwin of RMB30,000,000 and Panyu Cheerwin of RMB15,600,000 attributable to the Controlling Shareholders.

As of December 31, 2019, our paid-in capital represented the combined share capital of Cheerwin Group Limited of RMB1,000 and Guangzhou Cheerwin of RMB28.5 million attributable to the Controlling Shareholders. As of September 30, 2020, our paid-in capital represented the share capital of the Company of approximately RMB1,000.

Reserves

Our reserves mainly comprised of statutory reserve and retained profits.

Our reserves decreased by 84.6% from RMB292.4 million as of December 31, 2017 to RMB45.2 million as of December 31, 2018, primarily due to RMB423.6 million of dividends declared to shareholders. We recorded a deficit in reserves of RMB15.3 million as of December 31, 2019, primarily due to RMB216.7 million of dividends declared to shareholders. We recorded a reserve of RMB229.2 million as of September 30, 2020.

INDEBTEDNESS

As of December 31, 2020, being the latest practicable date for the purpose of the indebtedness statement below, we had RMB316.8 million in indebtedness. The following table sets forth our indebtedness as of the dates indicated:

	As of December 31,			**As of September 30,**	**As of December 31,**
	2017	**2018**	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Amounts due to related parties	–	147,184	85,178	50,392	9,918
Amounts due to shareholders	20,000	77,549	207,383	101,783	–
Bank borrowings	–	–	–	300,000	300,000
Lease liabilities	7,456	4,410	10,105	7,599	6,879
Total	**27,456**	**229,143**	**302,666**	**459,774**	**316,797**

As of September 30, 2020, our bank borrowing was RMB300.0 million as we were designated as a National Key Epidemic Prevention Enterprise certified by the Ministry of Industry and Information Technology, and were granted such bank borrowings under the local government's anti-epidemic support schemes which was used for operating purpose. Such bank borrowing is denominated in Renminbi and carries an interest at a fixed rate of 2.05% per annum. Such bank borrowing is unsecured and repayable within one year and shown under current liabilities. Such bank borrowing was used to finance our daily operations.

Our Directors confirmed that, since September 30, 2020 and up to the date of this Prospectus, save as disclosed in this Prospectus, we did not have any banking facilities, any unutilized banking facilities or any outstanding or authorized but unissued debt securities, term loans, other borrowings or indebtedness in the nature of borrowing, or contingent liabilities. Our Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise. Our Directors confirm that the Company does not have any external financing plans as of the Latest Practicable Date apart from the Global Offering.

As of December 31, 2020, the aggregate amount of unutilized banking facilities was RMB300.0 million.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

MAJOR FINANCIAL RATIOS

The following table sets forth a summary of our major financial ratios as of the dates or for the periods indicated.

	As of December 31,			As of September 30,
	2017	**2018**	**2019**	**2020**(5)
Profitability:				
Gross margin	35.9%	37.2%	43.4%	42.9%
Net profit margin	12.6%	13.1%	13.3%	14.7%
Non-IFRS Measure:				
Adjusted net profit margin	12.6%	14.0%	14.3%	16.5%
Rates of return:				
Return on assets(1)	14.1%	17.5%	15.0%	18.1%
Liquidity:				
Gearing ratio(2)	2.2%	3.5%	72.5%	132.3%
Current ratio (time)(3)	1.3	1.0	0.9	1.0
Quick ratio (time)(4)	0.8	0.4	0.5	0.9

Notes:

(1) Return on assets ratio is calculated using net profit divided by total assets at the end of the year/period, multiplied by 100%.

(2) Gearing ratio is calculated using total interest bearing debt (including lease liabilities and bank borrowings) divided by total equity, multiplied by 100%.

(3) Current ratio is calculated using total current assets divided by total current liabilities.

(4) Quick ratio is calculated using total current assets less inventory divided by total current liabilities.

(5) Rates of return for nine months ended September 30, 2020 are not annualized.

Return on assets ratio. The return on assets ratio increased from 14.1% in 2017 to 17.5% in 2018, primarily as a result of an increase in net profit. The return on assets ratio decrease from 17.5% in 2018 to 15.0% in 2019 primarily as a result of an increase in total assets in relation to an increase in bank balances and cash and further increased to 18.1% in the nine months ended September 30, 2020, primarily as a result of an increase in total assets in relation to the financial assets at FVTPL of RMB335.0 million as we purchased more structured deposits when surplus cash increased.

Gearing Ratio. The gearing ratio increased from 2.2% as of December 31, 2017 to 3.5% as of December 31, 2018 and further increased to 72.5% as of December 31, 2019, primarily due to the decrease in capital reserve after the Reorganization. The gearing ratio increased to 132.3% as of September 30, 2020 primarily due to the bank borrowing of RMB300.0 million as of September 30, 2020, which was nil as of December 31, 2019.

Current ratio. The current ratio decreased from 1.3 as of December 31, 2017 to 1.0 as of December 31, 2018, and further decreased to 0.9 as of December 31, 2019 primarily due to the increase in current liabilities which in turn was the result of a significant increase in amounts due to shareholders in connection with the Reorganization, and increase in contract liabilities. In addition, current assets decreased significantly during 2018 due to a decrease in amounts due from related parties. The current ratio remained stable at 1.0 as of September 30, 2020, as total current assets and total current liabilities decreased at the similar rate from December 31, 2019 to September 30, 2020.

Quick ratio. The quick ratio decreased from 0.8 as of December 31, 2017 to 0.4 as of December 31, 2018 primarily due to a decrease in total current assets and increase in inventories, and then increased to 0.5 as of December 31, 2019, and then further increased to 0.9 as of September 30, 2020, primarily due to increase in current asset minus inventories and decrease in current liabilities.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have significant contingent liabilities.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Credit Risk

Our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position.

Our credit risk is primarily attributable to our trade receivables, other receivables, amounts due from related parties, pledged bank deposits and bank balances. We monitor the exposure to credit risk on an ongoing basis and credit evaluations are performed on customers requiring credit over a certain amount. In addition, receivable balances are monitored on an ongoing basis with the result that our exposure to bad debts is not significant.

We do not have any significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Our credit risk on bank balances and deposits or bills receivables is limited and there is no significant concentration of credit risk because all banks deposits or bills are deposited in or contracted with state-owned banks and other medium or large-sized listed banks with good reputation.

In order to minimize the credit risk, We have policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, we carry out research on the credit risk of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

Liquidity Risk

In the management of liquidity risk, our management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows.

The following tables detail our remaining contractual maturity for our financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which we can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at variable rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average interest rate	Repayable on demand or within 3 months	3 months to 1 year	1 year to 5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2017							
Trade and other payables	–	229,959	–	–	–	229,959	229,959
Amounts due to related parties	–	271,588	–	–	–	271,588	271,588
Amounts due to shareholders	–	20,000	–	–	–	20,000	20,000
Lease liabilities	4.75	357	1,799	6,104	–	8,260	7,456
		521,904	1,799	6,104	–	529,807	529,003
At December 31, 2018							
Trade and other payables	–	321,276	–	–	–	321,276	321,276
Amounts due to related parties	–	254,004	–	–	–	254,004	254,004
Amounts due to shareholders	–	77,549	–	–	–	77,549	77,549
Lease liabilities	4.75	435	1,315	3,106	–	4,856	4,410
		653,264	1,315	3,106	–	657,685	657,239
At December 31, 2019							
Trade and other payables	–	219,684	–	–	–	219,684	219,684
Amounts due to related parties	–	196,050	–	–	–	196,050	196,050
Amounts due to shareholders	–	207,383	–	–	–	207,383	207,383
Lease liabilities	4.75	940	2,684	7,493	–	11,117	10,105
		624,057	2,684	7,493	–	634,234	633,222

	Weighted average interest rate	Repayable on demand or within 3 months	3 months to 1 year	1 year to 5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At September 30, 2020							
Trade and other payables	–	126,619	–	–	–	126,619	126,619
Amounts due to related parties	–	129,105	–	–	–	129,105	129,105
Amounts due to shareholders	–	101,783	–	–	–	101,783	101,783
Bank borrowing	2.05	1,550	301,472	–	–	303,022	300,000
Lease liabilities	4.75	805	1,549	5,944	–	8,298	7,599
		359,862	303,021	5,944	–	668,827	665,106

Interest Rate Risk

Our Group is exposed to cash flow interest rate risk on the variable-rate pledged bank deposits and bank balances. Our Group does not have an interest rate hedging policy. However, the management of our Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. Our Group is mainly exposed to interest rates quoted by the People's Bank of China.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into various transactions with our related parties, which will continue after the Listing. These transactions primarily include but not limited to (i) some of the property leases as offices, warehouses and production plants; (ii) outsourced manufacturing of certain products of our Group; (iii) sale of our products; and (iv) certain ancillary services including sales support, warehouse and IT services. Our Directors are of the view that such transactions have been carried out in the ordinary course of business of our Group and are entered into on normal commercial terms and are fair and reasonable. Please refer to the section headed "Connected Transactions" for further details of our connected transactions.

DIVIDENDS AND DIVIDEND POLICY

Pursuant to relevant PRC laws and regulations applicable to us, we are required to set aside a certain amount of our accumulated after tax profits each year, if any, to fund statutory reserves. Dividends may be paid only out of distributable profits, which are our retained earnings as determined in accordance with PRC accounting principles, which may differ from generally accepted accounting principles in other jurisdictions, including HKFRSs and IFRS, less the above mentioned statutory reserves and any discretionary surplus reserves.

Our subsidiaries declared dividends of RMB100.0 million, RMB423.6 million, RMB216.7 million and nil to our Shareholders in 2017, 2018, 2019 and the nine months ended September 30, 2020, respectively. After the Track Record Period and up to the date of this Prospectus, we did not declare any dividends to our Shareholders. We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year. Our dividends payable were fully settled by December 31, 2020.

We may distribute dividends by way of cash or by other means that our Board considers appropriate. Any proposed distribution of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that our Board may deem relevant. Subject to the Companies Act and other applicable laws and regulations, we currently target to distribute to our Shareholders no less than 25% of our distributable profits for any particular year after the Listing. We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future.

DISTRIBUTABLE RESERVES

As September 30, 2020, the Company did not have reserve available for distribution to shareholders.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has not been any material adverse change in our financial or trading position or prospects since September 30, 2020, and there is no event since September 30, 2020 which would materially affect the information shown in "Accountants' Report" in Appendix I.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2020

Our Directors estimate that, in the absence of unforeseeable circumstances and on the bases set out in "Appendix IIB—Profit Estimate" to this prospectus, the estimated consolidated profit attributable to our owners is as follows.

Estimated consolidated profit attributable to our owners for the year ended December 31, 2020[(1)]	Not less than RMB210.0 million
Unaudited pro forma estimated earnings per Share for the year ended December 31, 2020[(2)]	Not less than RMB15.82 cents

Notes:

1. The bases on which the above estimate for the year ended December 31, 2020 has been prepared are summarised in Appendix IIB to this prospectus. The estimated consolidated profit attributable to our owners for the year ended December 31, 2020 is based on our audited consolidated results for the nine months ended September 30, 2020 and the unaudited consolidated results based on our management accounts for the three months ended December 31, 2020.

2. The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to our owners for the year ended December 31, 2020 taking into account the number of shares that are outstanding during the year ended December 31, 2020 and on the assumption that the Reorganisation, Share Subdivision and Global Offering had been completed on January 1, 2020, resulted in a weighted average of 1,327,641,332 Shares for the year ended December 31, 2020. The calculation of the estimated earnings per Share does not take into account of any shares which may be allotted and issued pursuant to the exercise of Over-allotment Option or any shares which may be issued or repurchased by us pursuant to our general mandates.

LISTING EXPENSE INCURRED AND TO BE INCURRED

Our aggregate listing expenses incurred and to be incurred amount to RMB140.8 million (assuming that the Global Offering is conducted at the mid-point of the Offer Price range and the Over-allotment Option is not exercised). In 2017, 2018 and 2019, we incurred listing expenses of approximately RMB33.0 million, of which RMB24.8 million was recognized as listing expenses, and RMB8.2 million was accounted for as deferred issue costs. In the nine months ended September 30, 2020, we incurred listing expenses of approximately RMB11.0 million, of which RMB8.3 million was recognized as listing expenses and RMB2.7 million will be capitalized. We expect to incur additional listing expenses of approximately RMB96.8 million after September 30, 2020 (assuming that the Global Offering is conducted at the mid-point of the Offer Price range), of which RMB12.4 million is expected to be recognized as listing expenses and RMB84.4 million is expected to be capitalized. Our Directors do not expect such expenses to have a material adverse impact on our financial results in 2020.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets of the Group as of September 30, 2020 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as of September 30, 2020 or any future dates.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as of September 30, 2020 as shown in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of September 30, 2020(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of September 30, 2020	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of September 30, 2020(3)(4)(5) per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$7.80 per Share	229,185	2,058,888	2,288,073	1.72	2.07
Based on an Offer Price of HK$9.20 per Share	229,185	2,431,936	2,661,121	2.00	2.40

Notes:

(1) The amount of audited consolidated net tangible assets of the Group attributable to owners of the Company as of September 30, 2020 was extracted from the Accountants' Report of the Group set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 333,333,500 Offer Shares at the indicative Offer Price of lower limit and upper limit of HK$7.80 and HK$9.20 per Share, respectively, after deduction of underwriting fees and commissions and other listing related expenses payable by the Company (excluding listing expenses charged to profit or loss up to September 30, 2020) and without taking into account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandate. For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in Hong Kong dollars has been converted into RMB at the rate of HK$1 to RMB0.8306, which was the exchange rate prevailing on February 10, 2021 with reference to the rate published by the People's Bank of China. No representation is made that the HK$ denominated amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived at on the basis of 1,333,333,500 Shares in total, immediately following Group Reorganization and assuming that the Global Offering of 333,333,500 new shares and the shares to be issued. It does not take into account any shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandate.

(4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of September 30, 2020 to reflect any trading results or other transactions of the Group entered into subsequent to September 30, 2020.

(5) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted from RMB into Hong Kong dollars at the rate of HK$1.2039 to RMB1.00 as of February 10, 2021. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa at that rate or at any other rates or at all.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

Please see section headed "Business – Our Development Strategies" in this document for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$2,663.9 million after deducting estimated underwriting fees and the estimated offering expenses payable by us and based upon an indicative offer price of HK$8.50 per Offer Share (being the mid-point of the indicative Offer Price range) for both Hong Kong Public Offering and International Offering, and assuming the Over-allotment Option is not exercised, or HK$3,072.9 million if the Over-allotment Option is exercised in full.

We plan to use the net proceeds we will receive from the Global Offering to facilitate the implementation of our strategies:

- approximately HK$532.8 million, representing approximately 20% of the net proceeds from the Global Offering, is expected to be used to enhance our research and development capabilities;

  - approximately HK$190.0 million, representing approximately 7.1% of the net proceeds from the Global Offering, is expected to be used for the research and development of new products, upgrade of existing products and development of new brands and categories, which include but are not limited to the development and upgrades of products catering to wider consumption scenarios, products in different forms, such as solid, liquid or spray, and products with more cost-effective and/or environmentally friendly packaging materials. To this end:

    - we plan to initiate the research and development of a series of new products, such as Vewin slow-dissolve washing machine tank cleanser tablets and pet snacks; the details of our planned new products in the next two years are as follows:

	To be initiated in 2021	**To be initiated in 2022**
Household care products	3	5
Personal care products	13	10
Pet care products	28	3
Total	44	18

- we plan to upgrade more of our existing products, for example Vewin toilet cleansers and Rikiso moisturizing soaps, by improving formulation, enhancing product efficacy and/or upgrading packaging; the details of our products to be upgraded in the next two years are as follows:

	To be upgraded in 2021	To be upgraded in 2022
Household care products	19	5
Personal care products	2	5
Pet care products	1	1
Total	22	11

- we intend to deepen our market segmentation researches and develop new product categories catering to differentiated consumption needs and consumption levels that have not been sufficiently served. In addition, leveraging the customer feedback and our expertise, we expect to further identify niche sub-markets and cultivate new brands for products with more distinguished formulations and specifications, or professional product efficacy. We expect new brands and product categories will target both price-sensitive customers as well as customers who have more professional and high-end needs pursuing higher quality and more personalized and luxury experience;

- approximately HK$271.7 million, representing approximately 10.2% of the net proceeds from the Global Offering, is expected to be used to facilitate the construction and upgrade of relevant research and development centers and support their research activities, including but limited to the upgrade and addition of research and development equipment, which may include liquid and gas chromatography equipment for raw materials analysis, particle characterization instrument for particle size and shape analysis, as well as various equipment for stability tests and high-throughput screening tests. The major focuses of our research and development centers will be on a variety of aspects, including the fundamental technological researches, production techniques, establishing consumer data science analysis capability which enables us to collect and analyze data in connection with consumer demands and preferences, in turn, further navigating our research and development focuses on products that are expected to be more needed and welcomed by the market, and acquiring additional certificates and licenses in the PRC and globally. We intend to continue to enhance our research and development capabilities at our headquarters and Anfu plant. The research and development team at Cheerwin headquarters is mainly responsible for the development, improvement and design of formulation for our major product categories, as well as relevant testing and verification work. We currently plan to establish four additional special functional laboratories at headquarters which will be mainly responsible for personal care product research, pet wash and other pet care product research, high-capacity screening tests and product safety evaluation. The research and development team in Anfu is mainly responsible for the upgrade of production techniques and improvement of production efficiency. The future focuses of the research and development team in Anfu will be mainly on (i) the automation techniques and production equipment improvements, and (ii) researches and studies on product performance and stability. We also plan to establish one research and development center overseas, with current target on Japan or Singapore, in 2021 to 2023 when appropriate opportunity arises. The overseas research and development center is expected to take advantage of local research talents and will be responsible for the development and improvement of product formulation, identification of key raw materials overseas, integration of production techniques, and studying on and converting consumer demands to customize products. In particular, we intend to further leverage our research and development centers to obtain patents or proprietary know-hows of key technologies, foster strategic cooperation with research institutions and expert teams in pet care and personal care industries. We also expect to lead the establishment of relevant industry associates and standardized technology committees in China, in particular, to actively lead and participate in establishing the industry standards for relevant products by leveraging our technical advantages and experience, so as to deepen our presence in the pet care and personal care industries;

  - approximately HK$71.0 million, representing approximately 2.7% of the net proceeds from the Global Offering, is expected to be used to motive existing research personnel and recruit additional experienced and talented personnel for our research and development team. Based on our research and development plans and considering the large number of potential research and development projects that are under a wide spread of different product categories, both existing and potentially new, which will have different research and development focuses and require different technologies and talents, we currently plan to newly hire 33, 39, 23 and 17 research and development personnel, respectively, in 2021, 2022, 2023 and 2024. By the end of 2024, these 112 newly hired research and development personnel would cover various research functions, such as approximately 45 personnel for formulation study and research, 17 for production technologies, 11 for product packaging studies, and 33 for functionality testing and analysis, for all of our major product categories, as well as 6 for certificate and license organization and integrated management.

- approximately HK$532.8 million, representing approximately 20% of the net proceeds from the Global Offering, is expected to be used to enhance our sales and distribution network;

- approximately HK$399.6 million, representing approximately 15% of the net proceeds from the Global Offering, comprising (a) approximately 10%, or HK$266.4 million, of which is expected to be used to further develop online distribution channels, such as strengthen our presence on mainstream e-commerce platforms and other new channels, such as consumer community and proprietary platforms, through (i) using (a) approximately 4% to attract new customers and traffic; (ii) approximately 2% to expand our sales and distribution team; after considering our current business strategies in connection with geographic expansion and further exploration of various distribution channels, we currently plan to newly hire 104 sales personnel by the end of 2023, which will comprise a team of approximately 64 sales managers at different levels to better serve and manage our major consumers along with our geographic extension, a team of 22 personnel for online development function in response to the needs of our rapidly developing online business, mainly focusing on the development of our consumer community and proprietary platforms, and the remaining 18 personnel for other functions, including but not limited to personnel for our overseas and corporate and institutional customers; (iii) approximately 2% to further leverage digitalized tools to create value out of our existing offline resources by optimizing and identifying marketing and sales opportunities; and (iv) approximately 2% to organize marketing and promotional campaigns and other measures to upgrade our online channels and promote their presence, functionality and attractiveness, and (b) approximately 5%, or HK$133.2 million, which is expected to be used to further enhance our offline distribution network by using (i) approximately 3% to retain existing and engaging additional high quality distributors through active screening, identification and invitation of potential business partners with strong capital, storage and logistic capacities and managerial and operational capabilities, and (ii) approximately 2% to improve management structure to achieve scalability and efficiency, mainly through enhancing distributor support and management capacities as well as optimizing distribution network and resource allocations by closely reviewing the performance of our distributors and constantly eliminating those with poor-performance;

- approximately HK$133.2 million, representing approximately 5% of the net proceeds from the Global Offering, is expected to be used to establish and optimize our overseas online and offline sales network and develop new markets, with a focus on developing markets, such as Southeast Asia. To this end, we expect to (i) establish production plants overseas, currently with Vietnam plant as the starting point, to reduce production costs and improve margin for overseas operations; (ii) actively seek for cooperative partners in target overseas markets; and (iii) engage specialized overseas marketing personnel to design localized branding and marketing campaigns and advise on the localization of products for different overseas regional markets. We also intend to develop corporate and institutional customers through (i) constantly reviewing and improving the attractiveness of terms under our cooperative arrangements, (ii) strategically leveraging the Liby channel to approach potential customers; and (iii) at the same time expanding consumer base by actively exploring cross-promotional opportunities;

- approximately HK$399.6 million, representing approximately 15% of the net proceeds from the Global Offering, is expected to be used for marketing activities to enhance branding and products promotion;

  - approximately HK$133.2 million, representing approximately 5% of the net proceeds from the Global Offering, is expected to be used to enhance our market penetration in lower-tier cities, mainly through strengthening the offline image store penetration in supermarkets through local distributors and key accounts, and fostering demands by enhancing community marketing through social media platforms with an established and engaging user base;

  - approximately HK$266.4 million, representing approximately 10% of the net proceeds from the Global Offering, is expected to be used to invest in online brand marketing activities to enhance brand and product awareness and educate consumers, including content marketing activities by creating and distributing attractive branding and promotional text, audio and video content online, entertainment marketing activities, such as product placements or sponsorship in popular variety shows and TV or online drama series, social media interactions by increasing the frequency of communication with target customers through various online platforms or websites, cross-promotion with brands in other industries to expand the reach our brands and products, for example the co-promotion of antibacterial and deodorizing products with catering brands, celebrities, IPs and KOLs and video marketing by conducting cooperative branding and marketing campaigns, such as sponsoring long- or short-form video creation or live streaming shopping events;

- approximately HK$266.4 million, representing approximately 10% of the net proceeds from the Global Offering, is expected to be used to improve the efficiency and flexibility of our global and domestic supply chain;

  - approximately HK$40.0 million, representing approximately 1.5% of the net proceeds from the Global Offering, is expected to be used to establish overseas supply chain to improve our cost advantage for our overseas operations;

  - approximately HK$40.0 million, representing approximately 1.5% of the net proceeds from the Global Offering, is expected to be used to upgrade our existing production facilities and existing production lines at our Anfu and Panyu plants, and to establish new production lines to increase production capacity and efficiency. We expect such improvements to our in-house production facilities will enable us to strengthen our control over the production of relevant key and strategic products, meanwhile, leading to a further optimized allocation of resources for supply chain arrangements, for instance, reducing the scope of outsourcing manufacturing services and consolidating human and capital resources for selected high quality suppliers.

Considering market demands and our current production capacity, we currently plan to add one production line for toilet cleansers at Panyu Plant, and one production line for each of toilet cleansers and hard surface cleansers with ancillary areas at Anfu Plant. We intend to maintain and further upgrade production capacity for certain key products. By comparing our historical in-house production costs and the relevant costs under the OEM and ODM arrangements, we believe the unit cost for production of these key products with in-house production capacity is generally lower. In addition, we also believe that self-owned production lines will enable us to better exert quality control and allocate production capacities in a more efficient manner. The annual average utilization rate of our production plants was not extremely high because certain of our products are subject to seasonality. We expect the increased production capacity to enable us to better meet the demands and provide more flexibility for allocation of resources during the peak seasons. Remaining net proceeds will also be used primarily for the general maintenance and improvement of our existing production plants, facilities and equipment;

- Approximately HK$186.5 million, representing approximately 7% of the net proceeds from the Global Offering, is expected to be used to establish a supply chain base in Shanghai which includes a warehouse and a logistic center and offices. We expect leverage this supply chain base to source locally and globally in an efficient and systematic manner, so as to identify the most suitable and cost-effective raw materials and enhance the flexibility of the supply chain for our online channels. This supply chain base is strategically located in eastern China which is most sophisticated regional e-commerce market in China with an extensive potential customer base and well-established supporting infrastructures such as logistics and online payment capacities. The functionality of the supply chain base will also be tailored to meet the needs for our online channels;

- approximately HK$266.4 million, representing approximately 10% of the net proceeds from the Global Offering, is expected to be used to deepen our digitalization strategy, enhance information technology infrastructure, and further develop our technology and data-driven middle-office for our supply chain management, consumer community and proprietary platform operation and distribution channel management to improve operating efficiency. Although we have established a digitalized operation system with a comprehensive coverage of scenarios and business processes, we plan to continue to deepen and innovate the digitalization strategy in order to achieve efficient synergies among various internal functions and among the external business partners along our value chain. To this end, we expect to leverage our current digitalized operation system to further accomplish the middle-office to further improve the efficiency of our existing business and reduce the development cycle of new businesses. We will also leverage the digitalized technologies to improve data collection and mining capacities, which in turn, will empower us to optimize organizational structure, identify new products and services, innovate business models, and eventually create new revenue stream;

- approximately HK$399.6 million, representing approximately 15% of the net proceeds from the Global Offering, is expected to be used for strategic acquisitions of upstream and downstream businesses to acquire external high-quality, complementary technologies, brands and businesses. The amount for this use is determined based on our current evaluation and estimation of potential acquisition transactions we may pursue, and we would consider a number of factors in selecting acquisition targets, including, among others, the size of the company and expected contribution to our business growth. In terms of the nature and the types of business sought, we will continue to focus on exploring household care, personal care and pet care companies mainly in the PRC. We currently focus on identifying potential targets in the PRC, Japan and Korea with the estimated condition for a single transaction no more than HK$100 million. We will also pay attention to Euro and U.S. markets. We currently plan to acquire two to three targets within the next three years if appropriate opportunity arises. We believe there are a number of potential targets that meet our requirements. While we will continue to evaluate potential acquisitions of business or products, as of the Latest Practicable Date, we had not identified any acquisition target and we had not, nor has anyone on our behalf, initiated any discussions, directly or indirectly, with respect to identifying any acquisition target; and

- approximately HK$266.4 million, representing approximately 10% of the net proceeds from the Global Offering, is expected to be used for working capital and other general corporate purposes.

In the event that the Offer Price is set at the high point or the low point of the indicative Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK$224.6 million, respectively, if the Over-allotment Option is not exercised. Under such circumstances, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis. In the case that the net proceeds to be Global Offering are less than the amounts indicated above, we will use our internally generated cash from operations or other self-raised funds to make up the shortfall where required.

If the Over-allotment Option is exercised in full, the net proceeds that we will receive will be approximately HK$3,072.9 million, assuming an Offer Price of HK$8.50 per Share (being the mid-point of the indicative Offer Price range). In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds to the above purposes in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits with only licensed banks or financial institutions. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited

China International Capital Corporation Hong Kong Securities Limited

Futu Securities International (Hong Kong) Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 33,334,000 Hong Kong Offer Shares and the International Offering of initially 299,999,500 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and certain other conditions set forth in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company agreeing upon the Offer Price) being satisfied (or, as the case may be, waived), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for their respective applicable portions of the Hong Kong Offer Shares in aggregate, now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination by oral or written notice from the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors, if any of the events set forth below occur at any time prior to 8:00 a.m. on the Listing Date:

(1) there develops, occurs, exists or comes into effect:

(i) any event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a regional, national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak or escalations of infectious disease (including, without limitation, COVID-19 and SARS), economic sanctions, strikes, labour disputes, other industrial actions, lock-outs, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, severe transport disruption, paralysis in government operation, public disorder, political instability, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, China, the Cayman Islands, the BVI, the United States, the United Kingdom, any member of the European Union, Japan, Vietnam or any other jurisdictions relevant to any member of the Group or the Global Offering (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change (whether or not permanent), or any event or circumstance likely to result in any change or development involving a prospective change in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions or elsewhere; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, China, the European Union (or any member thereof), Japan, Vietnam or any other Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or

(v) any new laws, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in, or in the interpretation or application by any court or other competent authority of, existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the U.S. dollar, Euro, Hong Kong Dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(viii) saved as disclosed in this prospectus, any material Proceedings of any third party being threatened or instigated against any Director, member of the Group or the Controlling Shareholders; or

(ix) any change or development or event involving a prospective change, or a materialization of, any of the risk set out in the section headed "Risk Factors" in this prospectus; or

(x) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xi) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xii) an authority or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group or any Director,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators and the Joint Sponsors:

(a) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, Shareholders' equity, profits, losses, results of operations, positions or conditions, financial or otherwise, or performance of the Group as a whole; or

(b) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(c) makes or will make or may to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offering Documents (as defined in the Hong Kong Underwriting Agreement); or

(d) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(2) there has come to the notice of the Joint Global Coordinators and the Joint Sponsors:

(a) an executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(b) the chairman and chief executive officer of the Company vacating her office; or

(c) a contravention by any member of the Group of the Listing Rules or applicable Laws in any material respect; or

(d) a prohibition on the Company or the Controlling Shareholders for whatever reason from offering, allotting, issuing, selling or delivering any of the Offer Shares (including any additional Shares which may be issued by the Company pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(e) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity which result in a material adverse change or has a material adverse effect to the Global Offering; or

(f) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(g) that any statement contained in any of the Hong Kong Public Offering Documents and/or in any notices or announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(h) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(i) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(j) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties as defined in the Hong Kong Underwriting Agreement; or

(k) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, Shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of the Group taken as a whole; or

(l) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the representations, warranties, agreements and undertakings given by the Company, the Controlling Shareholders in the Hong Kong Underwriting Agreement; or

(m) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(n) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(o) any person (other than the Joint Sponsors) has withdrawn or is subject to withdrawal of its consent to being named in any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement) or to the issue of any of the Offering Documents; or

(p) a material portion of the orders in the book-building process have been withdrawn, terminated or cancelled.

Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules

A Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that, no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) shall be issued by us or form the subject of any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except for (i) any capitalization issue, capital reduction or consolidation or sub-division of shares; or (ii) issue of shares or securities pursuant to the Global Offering (including any exercise of the Over-allotment Option); or (iii) any other applicable circumstances provided under Rule 10.08 of the Listing Rules.

B Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, the group of our Controlling Shareholders have collectively undertaken to the Hong Kong Stock Exchange that, he/she/it shall not, unless in compliance with the requirements of the Listing Rules:

(i) in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner; or

(ii) in the period of six months commencing on the date on which the period referred to in the preceding paragraph expires, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of the Shares referred to in the preceding paragraph to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or she or it would cease to be a group of Controlling Shareholders (as defined in the Listing Rules) of our Company.

Note 2 to Rule 10.07(2) of the Listing Rules provides that Rule 10.07 does not prevent the group of Controlling Shareholders from using the Shares beneficially owned by him/her/it as security (including a charge or pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, the group of our Controlling Shareholders have collectively further undertaken to the Hong Kong Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:

(i) when he/she/it or the relevant registered holders pledge or charge any Shares beneficially owned by him/her/its in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when he/she/it or the relevant registered holders receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

A Undertakings by our Company

Our Company, has undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), at any time during the period commencing on the date of the Hong Kong Underwriting Agreement up to and including the date that is six months from the Listing Date (the "**First Six-Month Period**"), our Company will not, and will procure each other member of the Group not, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements set out in the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or contract or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase any Shares or other equity securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or other equity securities of the Company, or any interest in any of the foregoing), or deposit any Shares or other securities of the Company, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or any other securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company, or any interest in any of the foregoing); or

(iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above; or

(iv) offer to or agree to, or announce any intention to effect any transaction specified in sub-paragraph (i), (ii) or (iii) above,

in each case, whether any of the foregoing transactions specified in sub-paragraph (i), (ii) or (iii) above is to be settled by the delivery of Shares or such other equity securities of the Company, or, in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, at any time during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), the Company enters into any of the transactions specified in sub-paragraph (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company. Our Controlling Shareholders undertake to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure the Company to comply with the undertakings above.

B Undertakings by our Controlling Shareholder(s)

Each of our Controlling Shareholders has undertaken to each of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except as pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and the Stock Borrowing Agreement or as permitted by Note 2 and 3 to Rule 10.07 of the Listing Rules, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) save for the lending of Shares by Cheerwin Global BVI pursuant to the Stock Borrowing Agreement, he/she/it will not, at any time during the First Six-Month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing) beneficially owned by he/she/it as at the Listing Date (the "**Locked-up Securities**") or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities, or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(ii) he/she/it will not, until the expiry of the Second Six-Month Period, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/she/it will cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and

(iii) until the expiry of the Second Six-Month Period, in the event that he/she/it enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, he/she/it will take all reasonable steps to ensure that he/she/it will not create a disorderly or false market in the securities of the Company.

Indemnity

We, and our Controlling Shareholders have agreed to indemnify, among the others, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Undertaking by Bestart BVI

Bestart BVI entered into a deed of lock-up undertaking dated February 24, 2021 (the "**Lock-up Undertaking Deed**") in favor of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Underwriters). Pursuant to the Lock-up Undertaking Deed, Bestart BVI agrees that, it will not, from the date of the Lock-up Undertaking Deed and ending on, and including, the date that is six months after the Listing Date (the "**Six-Month Period**"), dispose of any Relevant Shares (as defined below) or any interest in any company or entity holding or controlling (directly or indirectly) any Relevant Shares or, permit or cause a change in control of any company or entity holding or controlling (directly or indirectly) any Relevant Shares (the "**Relevant Transactions**").

"**Relevant Shares**" mean any and all Shares, as reclassified, redesignated and subdivided from the Shares as held by Bestart BVI on the date of the Lock-up Undertaking Deed, in the manner as set out in the prospectus as if the reclassification, redesignation and subdivision has been completed on the date of the Lock-up Undertaking Deed.

The Lock-up Undertaking does not apply to situations including:

(a) any transfer with the prior written consent of the Company and the Joint Global Coordinators, having due regard to any applicable requirements of the Stock Exchange; or

(b) where any Relevant Transactions are entered into, undertaken or consummated pursuant to a requirement of a governmental authority, regulatory body to which Bestart BVI is subject, a court of law, an arbitral tribunal or a requirement of any applicable laws, rules and regulations; or

(c) any Shares acquired in open market transactions after the completion of the Global Offering; or

(d) the enforcement of any security interest created prior to the Listing Date over assets of Bestart BVI generally, which may include the Relevant Shares; or

(e) any transfer to any individual or entity which directly or indirectly, through one or more intermediaries controls or is controlled by, or is under common control with Bestart BVI or any of Bestart BVI's wholly-owned subsidiaries, provided that, prior to such transfer, such individual, entity or wholly-owned subsidiary gives a written undertaking (addressed to and in favor of the Joint Global Coordinators and the Joint Sponsors in terms satisfactory to them and substantially the same as the Lock-up Undertaking Deed) agreeing to, and Bestart BVI undertakes to procure that such individual, entity or wholly-owned subsidiary will, be bound by the provisions of the relevant Lock-up Undertaking Deed.

For the purpose of the Lock-up Undertaking Deed, "dispose of" means:

(a) offer, pledge, charge, sell, mortgage, lend, create, transfer, assign or otherwise dispose, grant any option, warrant or right to purchase, sell, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or create any third party right over any Relevant Shares or any other securities convertible into or exercisable or exchangeable for such Relevant Shares, or that represent the right to receive, such Relevant Shares, or any interest in them; or

(b) enter into any option, swap or other arrangement that transfers to another, in whole or in part, any beneficial ownership of the Relevant Shares or any of the economic consequences or incidents of ownership of Relevant Shares or any other securities of the Company or any interest therein or which transfers or derives any significant part of its value from such Relevant Shares; or

(c) enter into any transaction, directly or indirectly, with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) agree or contract to effect any transaction specified in paragraph (a), (b) or (c) above, in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Relevant Shares or such other securities convertible into or exercisable or exchangeable for the Relevant Shares or in cash or otherwise (whether or not the issue of Relevant Shares or such other securities will be completed within the aforesaid period).

Hong Kong Underwriters' Interests in the Company

Except for its obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we and our Controlling Shareholders will enter into the International Underwriting Agreement with the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would agree to purchase, or procure subscribers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, amongst others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Our Company expects to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators at their sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot, up to an aggregate of 50,000,000 Shares, representing no more than 15.0% of the initial Offer Shares, at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

Commissions and Expenses

The Hong Kong Underwriters will receive a gross underwriting commission equal to 2.75% of the aggregate Offer Price in respect of all the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to and from the Hong Kong Public Offering). Our Company may also in our sole discretion pay the Hong Kong Underwriters an additional discretionary incentive fee of up to 1.0% of the Offer Price for each Hong Kong Offer Shares.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering (in such proportion as the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their sole discretion consider appropriate), the underwriting commission regarding such Hong Kong Offer Shares shall be reallocated to the International Underwriters (in such proportion as the Joint Global Coordinators in their sole discretion consider appropriate).

Our Company expects to pay the International Underwriters a gross underwriting commission equal to 2.75% of the Offer Price for each International Offer Share (including any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, each International Offer Share reallocated to the Hong Kong Public Offering and each Share to be issued pursuant to the Over-allotment Option, if any). Our Company may also in our sole and absolute discretion pay one or more of the International Underwriters an additional discretionary incentive fee of up to 1.0% of the Offer Price for each of the International Offer Shares.

Assuming the Over-allotment Option is not exercised, the aggregate commissions and fees, together with Hong Kong Stock Exchange listing fees, SFC transaction levy and Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering, which are currently estimated to amount in aggregate to approximately HK$169.5 million (assuming an Offer Price of HK$8.50 per Offer Share, being the mid-point of the indicative Offering Price range stated in this prospectus), are payable and borne by our Company.

INDEPENDENCE OF THE JOINT SPONSORS

Each of Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. For further details, please refer to the section headed "Statutory and General Information – D. Other Information – 3. Joint Sponsors" in Appendix IV to this prospectus.

MINIMUM PUBLIC FLOAT

Our Directors and the Joint Global Coordinator will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering." Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to adjustment and the Over-allotment Option):

(a) the Hong Kong Public Offering of 33,334,000 Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in "Structure of the Global Offering – The Hong Kong Public Offering" below; and

(b) the International Offering of 299,999,500 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act as described in "Structure of the Global Offering – The International Offering" below.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 15.0% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 3.61% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in "Structure of the Global Offering – The International Offering – Over-allotment Option" below.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described in "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares Initially Offered

We are initially offering 33,334,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10.0% of the total number of the Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering and assuming the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in "Structure of the Global Offering – Conditions of the Global Offering" below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than the others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking into account any adjustment in the number of the Offer Shares allocated between the Hong Kong Public Offering and the International Offering) is to be divided into two pools for allocation purposes: Pool A and Pool B. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 16,667,000 respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for the Offer Shares means the price payable on application therein (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Offer Shares from either Pool A or Pool B but not from both pools.

Multiple or suspected multiple applications and any application for more than 16,667,000 Hong Kong Offer Shares (being 50% of the 33,334,000 Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules and the Guidance Letter HKEX-GL91-18 issued by the Hong Kong Stock Exchange require a clawback mechanism to be put in place which would have the effect of increasing the number of the Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of the Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 100,001,000 Shares, representing 30% of the Offer Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised);

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 133,334,000 Shares, representing 40% of the Offer Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised); and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 166,667,000 Shares, representing 50% of the Offer Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised).

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering in their sole and absolute discretion. In accordance with Guidance Letter HKEX-GL91-18 issued by the Hong Kong Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules for:

- if the International Offer Shares are fully subscribed or oversubscribed, and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering

- if the International Offer Shares are undersubscribed, and the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription)

the maximum total number of Shares that may be reallocated to the Hong Kong Public Offering shall be not more than 66,668,000 Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20% of the number of Offer Shares initially available under the Global Offering; and the final Offer Price shall be fixed at HK$7.80 per Offer Share, the low-end of the Offer Price range stated in this prospectus.

Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustments of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B equally and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators in their sole discretion consider appropriate.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. However, if neither the Hong Kong Public Offering nor the International Offering is fully subscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this Prospectus and the Underwriting Agreements.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$9.20 per Offer Share in addition to the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "Structure of the Global Offering – Pricing and Allocation" below, is less than the maximum price of HK$9.20 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to Apply for the Hong Kong Offer Shares."

THE INTERNATIONAL OFFERING

Number of International Offer Shares Initially Offered

Subject to reallocation as described in this section and the exercise of the Over-allotment Option, the International Offering will consist of an initial offering of 299,999,500 Offer Shares, representing 90.0% of the total number of Offer Shares initially available under the Global Offering subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of the Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "Structure of the Global Offering – Pricing and Allocation" and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong

Kong Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a gel professional and institutional shareholder base to the benefit of our Company and its Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the International Underwriters) may require any investor who has been offered the International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of the Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of the Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the reallocation arrangement described in "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation," the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering to the International Offering.

Over-allotment Option

Our Company expects to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators at their sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering which is expected to be April 2, 2021, to require our Company to issue and allot, up to an aggregate of 50,000,000 Shares, representing no more than 15.0% of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 3.61% of our Company's enlarged issued share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, we will make an announcement in due course.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end on the 30th day (which is expected to be April 2, 2021) after the last day for the lodging of applications under the Hong Kong Public Offering. Should stabilizing transactions be effected in connection with the Global Offering, this will be effected at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, or any person acting for it, will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of the Shares in connection with the Global Offering, the Joint Global Coordinators, their affiliates or any person acting for it may cover such over-allocation by, amongst other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, or through the stock borrowing arrangement mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. The number of Shares which can be over-allocated will not exceed the number of the Shares which may be allotted and/or issued pursuant to the exercise in full of the Over-allotment Option, being 50,000,000 Shares, representing 15.0% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager (or its affiliates or any person acting for it) may choose to borrow up to 50,000,000 Shares (being the maximum number of Shares which may be sold pursuant to the exercise of the Over-allotment Option and representing 15% of the number of Offer Shares initially available under the Global Offering) from Cheerwin Global BVI, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager (or its affiliates or any person acting for it) and the Cheerwin Global BVI on or about the Price Determination Date.

If the Stock Borrowing Agreement with Cheerwin Global BVI is entered into, the borrowing of Shares will only be effected by the Stabilizing Manager (or its affiliates or any person acting for it) for the settlement of over-allocations in the International Offering and such borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Shares so borrowed must be returned to Cheerwin Global BVI on the third business day following the earlier of (a) the last day the Over-allotment Option may be exercised and (b) the day on which the Over-allotment Option is exercised in full.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Cheerwin Global BVI by the Stabilizing Manager (or its affiliates or any person acting for it) in relation to such Shares borrowing arrangement.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or about Wednesday, March 3, 2021 and in any event no later than Monday, March 8, 2021, by agreement among the Joint Global Coordinators (on behalf of the Underwriters) and our Company. The number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$9.20 per Offer Share and is expected to be not less than HK$7.80 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us by Monday, March 8, 2021, the Global Offering will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (on behalf of the Underwriters) considers it appropriate and together with the Company's consent, the number of Offer Shares and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, the Company will as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering:

(a) issue a supplemental prospectus, as the relevant laws or government authority or regulatory authorities may require as soon as practicable following the decision to make the change, updating investors of the change in the indicative Offer Price together with an update of all financial and other information in connection with such change;

(b) extend the period under which the Global Offering was open for acceptance to allow potential investors the sufficient time to consider their subscriptions or reconsider their existing subscriptions; and

(c) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus. If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants who have submitted an application under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10.0% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings solely in the discretion of the Joint Global Coordinators but the number of Offer Shares to be offered in the Hong Kong Public Offering shall not in any event be less than 10.0% of the total number of Offer Shares available under the Global Offering.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering) are estimated to be approximately HK$2,663.9 million, assuming an Offer Price of HK$8.50 per Offer Share, being the approximate mid-point of the proposed Offer Price range of HK$7.80 to HK$9.20 and excluding any Shares which may be issued upon the exercise of the Over-allotment Option.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Tuesday, March 9, 2021 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (**www.cheerwin.com**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to agreement on the Offer Price between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date.

We expect that our Company will, on or about the Price Determination Date, enter into the International Underwriting Agreement relating to the International Offering.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting."

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option);

(b) the Offer Price having been agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements.

In each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before Monday, March 8, 2021, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will as soon as possible publish or cause to be published a notice of the lapse of the Hong Kong Public Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (**www.cheerwin.com**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**). In such eventuality, all application monies will be returned, without interest, on the terms set forth "How to Apply for the Hong Kong Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Monies." In the meantime, all application monies will be held in a separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended.

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our Company's Share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into CCASS. If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, March 10, 2021, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Wednesday, March 10, 2021. The Shares will be traded on the Main Board of the Hong Kong Stock Exchange in board lots of 500 Shares each. The stock code of the Shares will be 6601.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretions.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States, and are not a US Person (as defined in Regulation S under the U.S. Securities Act).

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of any Shares in the Company and/or any of its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- an associate or close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, February 26, 2021 until 12:00 noon on Wednesday, March 3, 2021 from:

***(i) any of the following offices of the Hong Kong Underwriters*:**

Morgan Stanley Asia Limited	Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
China International Capital Corporation Hong Kong Securities Limited	29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Futu Securities International (Hong Kong) Limited	Unit C1-2 13/F United Centre No. 95 Queensway Admiralty Hong Kong

***(ii) any of the designated branches of the receiving banks*:**

(a) Standard Chartered Bank (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Central Branch	G/F, 1/F, 2/F and 27/F Two Chinachem Central 26 Des Voeux Road Central Central Hong Kong
	North Point Centre Branch	Shop G, G/F North Point Centre 284 King's Road North Point Hong Kong

District	Branch Name	Address
Kowloon	68 Nathan Road Branch	Basement, Shop B1, G/F and M/F Golden Crown Court 66-70 Nathan Road Tsimshatsui Kowloon Hong Kong
	Mei Foo Branch	Shop Nos.106-109, 1st Floor Mei Foo Plaza Mei Foo Sun Chuen Kowloon Hong Kong
New Territories	Shatin Plaza Branch	Shop No.8, Shatin Plaza 21-27 Shatin Centre Street Shatin Hong Kong

(b) Bank of China (Hong Kong) Limited

District	Branch name	Address
Hong Kong Island	409 Hennessy Road Branch	409-415 Hennessy Road Wan Chai Hong Kong
	Taikoo Shing Branch	Shop G1006, Hoi Shing Mansion Taikoo Shing Hong Kong
Kowloon	Wong Tai Sin Branch	Shop G13 & G13A, G/F Temple Mall South Wong Tai Sin Kowloon Hong Kong
	Yu Chau Street Branch	42-46 Yu Chau Street Sham Shui Po Kowloon Hong Kong

District	Branch name	Address
New Territories	Tai Wai Branch	74-76 Tai Wai Road Sha Tin New Territories Hong Kong
	Texaco Road Branch	Shop A112, East Asia Gardens 36 Texaco Road Tsuen Wan New Territories Hong Kong

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, February 26, 2021 until 12:00 noon on Wednesday, March 3, 2021 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED – Cheerwin Group PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

(a) Standard Chartered Bank (Hong Kong) Limited

Friday, February 26, 2021	**–**	**10:00 a.m. to 5:00 p.m.**
Saturday, February 27, 2021	**–**	**10:00 a.m. to 1:00 p.m.**
Monday, March 1, 2021	**–**	**10:00 a.m. to 5:00 p.m.**
Tuesday, March 2, 2021	**–**	**10:00 a.m. to 5:00 p.m.**
Wednesday, March 3, 2021	**–**	**10:00 a.m. to 12:00 noon**

(b) Bank of China (Hong Kong) Limited

Friday, February 26, 2021	**–**	**9:00 a.m. to 4:00 p.m.**
Saturday, February 27, 2021	**–**	**9:00 a.m. to 12:00 noon**
Monday, March 1, 2021	**–**	**9:00 a.m. to 4:00 p.m.**
Tuesday, March 2, 2021	**–**	**9:00 a.m. to 4:00 p.m.**
Wednesday, March 3, 2021	**–**	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, March 3, 2021, the last application day or such later time as described in "How to Apply for the Hong Kong Offer Shares – 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists."

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name as required by the Articles of Association;

(ii) agree to comply with the Cayman Companies Act, Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Forms and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, the Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Forms;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the paragraph headed "Personal Collection" in this section to collect the share certificate(s) and/or refund check(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (b) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for the YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "How to Apply for the Hong Kong Offer Shares – 2. Who Can Apply," may apply through the **White Form eIPO** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website at **www.eipo.com.hk**. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website at **www.eipo.com.hk**, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** Service Provider on the designated website at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, February 26, 2021 until 11:30 a.m. on Wednesday, March 3, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, March 3, 2021 or such later time under "How to Apply for the Hong Kong Offer Shares – 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists."

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to sustainability

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Cheerwin Group Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, have not indicated or will not indicate an interest for, any Offer Shares under the International Offering nor otherwise participate in the International Offering;

- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, the Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of Association;

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum number of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Friday, February 26, 2021	**–**	**9:00 a.m. to 8:30 p.m.**
Monday, March 1, 2021	**–**	**8:00 a.m. to 8:30 p.m.**
Tuesday, March 2, 2021	**–**	**8:00 a.m. to 8:30 p.m.**
Wednesday, March 3, 2021	**–**	**8:00 a.m. to 12:00 noon**

(1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, February 26, 2021 until 12:00 noon on Wednesday, March 3, 2021 (24 hours daily, except on Wednesday, March 3, 2021 the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, March 3, 2021, the last application day or such later time as described in "How to Apply for the Hong Kong Offer Shares – 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists."

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint

Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service center to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, March 3, 2021.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;

- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

See "Structure of the Global Offering – Pricing and Allocation" for further details on the Offer Price.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning; and/or
- an announcement of "extreme conditions" by the Government of Hong Kong in accordance with the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019;

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, March 3, 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, March 3, 2021 or if there is a tropical cyclone warning signal number 8 or above or an announcement of "extreme conditions" by the Government of Hong Kong in accordance with the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019 and/or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, March 9, 2021 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Company's website at **www.cheerwin.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.cheerwin.com** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, March 9, 2021;

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, March 9, 2021 to 12:00 midnight on Monday, March 15, 2021;

- by telephone enquiry line by calling +852 28628555 between 9:00 a.m. and 6:00 p.m. from Tuesday, March 9, 2021 to Friday, March 12, 2021 on a business day (excluding Saturday, Sunday and Hong Kong public holiday);

- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, March 9, 2021 to Thursday, March 11, 2021 at all the receiving banks' designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or our agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$9.20 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Global Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Global Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, March 9, 2021.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by a **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to the arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund checks and share certificates are expected to be posted on or before Tuesday, March 9, 2021. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, March 10, 2021 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect your refund check(s) and/or share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, March 9, 2021 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund check(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, March 9, 2021, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Tuesday, March 9, 2021, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, March 9, 2021, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

  For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "How to Apply for the Hong Kong Offer Shares – 11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, March 9, 2021 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, March 9, 2021, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund checks.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, March 9, 2021 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, March 9, 2021, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "How to Apply for the Hong Kong Offer Shares – 11. Publication of Results" above on Tuesday, March 9, 2021. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, March 9, 2021 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, March 9, 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, March 9, 2021.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-68, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHEERWIN GROUP LIMITED, MORGAN STANLEY ASIA LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Cheerwin Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-68, which comprises the consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 September 2020, the statements of financial position of the Company as at 31 December 2018 and 2019 and 30 September 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2019 and the nine months ended 30 September 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-68 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 26 February 2021 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "*Accountants' Reports on Historical Financial Information in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2017, 2018 and 2019 and 30 September 2020, the Company's financial position as at 31 December 2018 and 2019 and 30 September 2020, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends declared and paid by the Company's subsidiaries in respect of the Track Record Period and states that no dividend was declared or paid by the Company since its incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 February 2021

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of the accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board (the "IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	NOTES	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue	*6*	1,346,214	1,350,073	1,383,402	1,250,046	1,461,375
Cost of sales		(862,345)	(847,948)	(783,542)	(712,732)	(834,845)
Gross profit		483,869	502,125	599,860	537,314	626,530
Other income	*7A*	11,815	34,184	42,103	16,735	16,864
Other gains and losses	*7B*	(7,618)	100	230	213	(18,463)
Impairment losses in respect of trade receivables, net of reversal		(160)	(489)	265	571	(1,679)
Selling and distribution expenses	*8*	(229,081)	(241,020)	(334,228)	(275,712)	(284,468)
Administrative expenses		(30,009)	(41,610)	(62,415)	(48,705)	(57,423)
Finance costs	*9*	(182)	(307)	(299)	(175)	(1,783)
Listing expenses		–	(11,421)	(13,300)	(10,260)	(8,262)
Profit before tax		228,634	241,562	232,216	219,981	271,316
Income tax expense	*10*	(58,459)	(64,527)	(47,856)	(45,312)	(56,407)
Profit and total comprehensive income for the year/period	*11*	170,175	177,035	184,360	174,669	214,909
Profit (loss) and total comprehensive income (expense) for the year/period attributable to:						
– Owners of the Company		170,175	177,035	185,164	174,874	205,291
– Non-controlling interests		–	–	(804)	(205)	9,618
		170,175	177,035	184,360	174,669	214,909
Earnings per share						
– Basic (cents)	*14*	17.19	17.88	18.70	17.66	20.66

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019	As at 30 September 2020
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	73,592	115,391	135,523	146,257
Right-of-use assets	16	13,627	10,695	16,635	15,612
Deposits paid for acquisition of property, plant and equipment		17,680	1,213	7,033	2,722
Deferred tax assets	17	24,147	19,828	29,029	40,412
Pledged bank deposits	22	3,008	3,017	3,026	–
		132,054	150,144	191,246	205,003
CURRENT ASSETS					
Inventories	18	378,657	484,818	373,266	168,072
Trade and other receivables	19	31,623	60,349	91,108	92,094
Tax recoverable		–	4,951	7,669	814
Amounts due from shareholders	25	–	2	1	–
Amounts due from related parties	20	553,263	77,344	51,553	93,441
Financial assets at fair value through profit or loss ("FVTPL")	21	–	25,000	–	335,000
Bank balances and cash	22	114,916	209,897	511,035	290,665
		1,078,459	862,361	1,034,632	980,086
CURRENT LIABILITIES					
Trade and other payables	23	317,725	386,006	338,595	289,885
Contract liabilities	24	223,547	154,057	455,905	101,317
Amounts due to related parties	20	271,588	254,004	196,050	129,105
Amounts due to shareholders	25	20,000	77,549	207,383	101,783
Lease liabilities	26A	1,838	1,577	3,225	2,049
Income tax payables		27,210	10,708	3,910	22,877
Bank borrowing	26B	–	–	–	300,000
		861,908	883,901	1,205,068	947,016
NET CURRENT ASSETS (LIABILITIES)		216,551	(21,540)	(170,436)	33,070
TOTAL ASSETS LESS CURRENT LIABILITIES		348,605	128,604	20,810	238,073
NON-CURRENT LIABILITY					
Lease liabilities	26A	5,618	2,833	6,880	5,550
NET ASSETS		342,987	125,771	13,930	232,523
CAPITAL AND RESERVES					
Share capital/paid-in capital	27	50,600	80,602	28,501	1
Reserves		292,387	45,169	(15,267)	229,184
Equity attributable to owners of the Company		342,987	125,771	13,234	229,185
Non-controlling interests		–	–	696	3,338
TOTAL EQUITY		342,987	125,771	13,930	232,523

STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December 2018	As at 31 December 2019	As at 30 September 2020
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSET				
Investment in a subsidiary	34	–	1	1
CURRENT ASSETS				
Other receivables	19	3,807	8,239	10,994
Amounts due from shareholders	25	1	1	1
Amount due from a subsidiary	20	–	–	30,735
Bank balances and cash	22	–	–	531
		3,808	8,240	42,261
CURRENT LIABILITIES				
Other payables	23	7,901	24,801	32,233
Amounts due to shareholders	25	–	1	1
Amount due to a subsidiary	20	7,327	8,159	11,744
		15,228	32,961	43,978
NET CURRENT LIABILITIES		(11,420)	(24,721)	(1,717)
NET LIABILITIES		(11,420)	(24,720)	(1,716)
CAPITAL AND RESERVES				
Share capital	27	1	1	1
Reserves	35	(11,421)	(24,721)	(1,717)
TOTAL DEFICIT		(11,420)	(24,720)	(1,716)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital/ paid in capital	Share premium	Capital reserves	Merger reserve	Statutory reserve	Retained profits (losses)	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Note a)*	*RMB'000* *(Note b)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	50,600	–	399	–	16,624	216,193	283,816	–	283,816
Profit and total comprehensive income for the year	–	–	–	–	–	170,175	170,175	–	170,175
Dividends recognised as distribution *(Note 13)*	–	–	–	–	–	(100,000)	(100,000)	–	(100,000)
Deemed distributions arising from interest-free advances provided to a related party *(Note c)*	–	–	–	–	–	(11,004)	(11,004)	–	(11,004)
Transfer to statutory reserve	–	–	–	–	1,730	(1,730)	–	–	–
At 31 December 2017	50,600	–	399	–	18,354	273,634	342,987	–	342,987
Adjustment upon application of IFRS 9 *(Note 3)*	–	–	–	–	–	(608)	(608)	–	(608)
At 1 January 2018	50,600	–	399	–	18,354	273,026	342,379	–	342,379
Profit and total comprehensive income for the year	–	–	–	–	–	177,035	177,035	–	177,035
Dividends recognised as distribution *(Note 13)*	–	–	–	–	–	(423,645)	(423,645)	–	(423,645)
Issue of shares of subsidiaries *(Note 2 (ii), (iii)* and *(v))*	30,001	–	–	–	–	–	30,001	–	30,001
Issue of shares of the Company *(Note 2 (iv))*	1	–	–	–	–	–	1	–	1
Transfer to statutory reserve	–	–	–	–	3,887	(3,887)	–	–	–
At 31 December 2018	80,602	–	399	–	22,241	22,529	125,771	–	125,771

	Attributable to owners of the Company								
	Share capital/ paid in capital	**Share premium**	**Capital reserves**	**Merger reserve**	**Statutory reserve**	**Retained profits (losses)**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Note a)*	*RMB'000* *(Note b)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	–	–	185,164	185,164	(804)	184,360
Dividends recognised as distribution *(Note 13)*	–	–	–	–	–	(216,676)	(216,676)	–	(216,676)
Deemed distributions arising from group reorganisation *(Note 2 (vii), (x), (xii), (xiv)* and *(xv))*	(52,101)	–	–	(28,924)	–	–	(81,025)	1,500	(79,525)
Transfer to statutory reserve	–	–	–	–	1,031	(1,031)	–	–	–
At 31 December 2019	28,501	–	399	(28,924)	23,272	(10,014)	13,234	696	13,930
Profit and total comprehensive income for the period	–	–	–	–	–	205,291	205,291	9,618	214,909
Deemed distributions arising from group reorganisation *(Note 2 (xvi) and (xvii))*	(28,500)	–	–	7,894	–	–	(20,606)	(10,314)	(30,920)
Issue of shares of the Company *(Note 2 (xviii))*	–	1,550	–	–	–	–	1,550	–	1,550
Capital injection from the non-controlling interests	–	–	–	–	–	–	–	3,338	3,338
Capital injection from the Controlling Shareholders (as defined in Note 1)	–	–	29,716	–	–	–	29,716	–	29,716
At 30 September 2020	1	1,550	30,115	(21,030)	23,272	195,277	229,185	3,338	232,523
At 1 January 2019	80,602	–	399	–	22,241	22,529	125,771	–	125,771

	Attributable to owners of the Company								
	Share capital/ paid in capital	**Share premium**	**Capital reserves**	**Merger reserve**	**Statutory reserve**	**Retained profits (losses)**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Note a)*	*RMB'000* *(Note b)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit (loss) and total comprehensive income (expense) for the period	–	–	–	–	–	174,874	174,874	(205)	174,669
Deemed distributions arising from group reorganisation *(Note 2 (vii) and (x))*	(1,501)	–	–	–	–	–	(1,501)	1,500	(1)
Dividends recognised as distribution *(Note 13)*	–	–	–	–	–	(216,676)	(216,676)	–	(216,676)
At 30 September 2019 *(Unaudited)*	79,101	–	399	–	22,241	(19,273)	82,468	1,295	83,763

Notes:

(a) The amounts represented the difference between the acquisition considerations of group entities comprising the Group under Group Reorganisation (as defined and detailed in Note 2) and the paid-up capital of the relevant group entities at the date of acquisition.

(b) Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), subsidiaries established in the PRC are required to transfer a portion of the profit after taxation to the statutory surplus reserve as approved by the respective boards of directors annually. The appropriation is 10% of profit after tax at a minimum and should cease when it reaches 50% of the registered capital of the relevant PRC subsidiaries. The statutory surplus reserve, which is non-distributable, can be used (i) to offset the prior year losses, if any, and/or (ii) in capital conversion.

(c) As set out in Note 20, the Group provided interest-free advances to a related party, which is under the common control of the Controlling Shareholders (as defined in Note 1). At the date of initial recognition of the advances, the Group recognised the difference between the fair value of the advances and the amount paid as deemed distributions to the Controlling Shareholders.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
OPERATING ACTIVITIES					
Profit before tax	228,634	241,562	232,216	219,981	271,316
Adjustments for:					
Impairment losses in respect of trade receivables, net of reversal	160	489	(265)	(571)	1,679
Depreciation of property, plant and equipment	3,599	6,202	9,997	7,485	7,890
Depreciation of right-of-use assets	1,567	2,261	2,231	1,401	2,494
Bank interest income	(319)	(663)	(1,193)	(827)	(3,329)
Investment income	–	(1,782)	(3,730)	(1,946)	(2,922)
Imputed interest income from a related party	(8,292)	(2,712)	–	–	–
Interest income from a related party	–	(8,674)	–	–	–
Finance costs	182	307	299	175	1,783
Write-down/(reversal of write-down) of inventories	320	1,799	1,799	(1,021)	(1,015)
Losses (gains) on disposal/write-off of property, plant and equipment	7,618	(100)	(230)	(213)	9
Non-cash donations	–	–	–	–	18,454
Operating cash flows before movements in working capital	233,469	238,689	241,124	224,464	296,359
(Increase) decrease in inventories	(65,772)	(107,960)	109,753	246,434	187,755
Decrease (increase) in trade and other receivables	57,166	(27,991)	(30,286)	14,812	90
(Increase) decrease in amounts due from related parties	(50,003)	32,235	(33,682)	(18,107)	(41,889)
Increase (decrease) in trade and other payables	120,026	67,293	(53,615)	32,181	(42,416)
Increase (decrease) in contract liabilities	199,330	(69,490)	301,848	(148,034)	(354,588)
Increase (decrease) in amounts due to related parties	154,396	(164,768)	4,052	(223,453)	(32,159)
Cash generated from (used in) operations	648,612	(31,992)	539,194	128,297	13,152
Income tax paid	(73,263)	(81,661)	(66,573)	(60,496)	(41,968)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	575,349	(113,653)	472,621	67,801	(28,816)
INVESTING ACTIVITIES					
Bank interest income received	319	663	1,193	827	3,329
Interest income received from a related party	–	8,674	–	–	–
Receipt of investment income from financial assets at FVTPL	–	1,782	3,730	1,946	2,922
Purchase and deposits paid for acquisition of property, plant and equipment	(27,320)	(30,735)	(30,049)	(15,865)	(22,509)
Proceeds on disposal of property, plant and equipment	2,425	289	534	348	35
Payments for leasehold lands	–	(579)	(87)	(87)	(1,471)
Purchase of financial assets at FVTPL	–	(591,000)	(1,761,000)	(1,724,524)	(1,130,576)
Proceeds on disposal of financial assets at FVTPL	–	566,000	1,786,000	1,625,024	795,576
Placement of pledged bank deposits	(3,008)	(9)	(9)	(7)	–
Withdrawal of pledged bank deposits	–	–	–	–	3,026
Advances to related parties	(523,000)	(117,000)	(1)	–	–
Repayments from shareholders	–	–	–	–	1
Repayments from related parties	55,492	563,396	59,474	–	1
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(495,092)	401,481	59,785	(112,338)	(349,666)

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
FINANCING ACTIVITIES					
Dividends paid	–	(218,912)	(220,950)	(50,000)	(79,054)
Consideration paid for acquisition of group entities pursuant to Group Reorganisation *(Note 2)*	–	–	(7,423)	–	(101,470)
Issuance of new shares of a subsidiary pursuant to Group Reorganisation *(Note 2)*	–	30,000	–	–	–
Share issue cost paid	–	(1,832)	(207)	(170)	(897)
Finance costs paid	(182)	(307)	(299)	(175)	(1,783)
Repayments of lease liabilities	(1,446)	(1,796)	(2,389)	(1,593)	(2,506)
New bank borrowing raised	–	–	–	–	300,000
Advance from a related party	–	–	–	–	10,768
Capital injection from the Controlling Shareholders	–	–	–	–	29,716
Capital injection from the non-controlling interests	–	–	–	–	3,338
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(1,628)	(192,847)	(231,268)	(51,938)	158,112
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	78,629	94,981	301,138	(96,475)	(220,370)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	36,287	114,916	209,897	209,897	511,035
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD represented by bank balances and cash	114,916	209,897	511,035	113,422	290,665

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 15 April 2018 under the Company laws of the Cayman Islands. Its immediate holding company is Cheerwin Global Limited ("Cheerwin Global BVI"), a company incorporated in the British Virgin Islands (the "BVI") on 27 March 2018. The ultimate controlling shareholders of the Company are Mr. Chen Kaixuan ("Mr. KX Chen"), Ms. Li Ruohong ("Ms. Li"), the spouse of Mr. KX Chen, Mr. Chen Kaichen ("Mr. KC Chen") and Ms. Ma Huizhen ("Ms. Ma"), the spouse of Mr. KC Chen (collectively referred as "Controlling Shareholders"). The Controlling Shareholders own a total of 99% equity interests in the Company. The Controlling Shareholders have been acting in concert on their ownerships and exercise their control collectively over the companies now comprising the Group. The address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" of the Prospectus.

The Company is an investment holding company. The principal activities of the Group are manufacturing and trading of household insecticides and repellents, household cleaning, air care, personal care, pet care and other products in the PRC.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs issued by the IASB and the principles of merger accounting for group reorganisation.

In preparation for the listing of the Company's shares on the Stock Exchange (the "Listing"), the companies comprising the Group underwent a group reorganisation (the "Group Reorganisation") as described below. Prior to the Group Reorganisation, the operating subsidiaries of the Group comprise:

(a) Guangzhou Cheerwin Biotechnology Company Limited* (廣州超威生物科技有限公司) ("Cheerwin Biotechnology"), a company established in the PRC;

(b) Guangzhou Cheerwin Household Chemicals Company Limited* (廣州超威日用化學用品有限公司) ("Panyu Cheerwin"), a company established in the PRC;

(c) Anfu Cheerwin Rihua Company Limited* (安福超威日化有限公司) ("Anfu Cheerwin"), a company established in the PRC;

(d) Guangzhou Tongli Daily Supplies Company Limited* (廣州通力日用品有限公司) ("Guangzhou Tongli"), a company established in the PRC;

(e) Guangzhou Yuncheng Network Technology Company Limited* (廣州雲成網絡科技有限公司) ("Guangzhou Yuncheng"), a company established in the PRC;

(f) Guangzhou Leda Automobile Supplies Company Limited* (廣州樂達汽車用品有限公司) ("Leda Automobile"), a company established in the PRC;

(g) Shanghai Runzhisu Biotechnology Company Limited* (上海潤之素生物科技有限公司) ("Shanghai Runzhisu"), a company established in the PRC;

(h) Guangzhou Yuntuo E-commerce Company Limited* (廣州雲拓電子商務有限公司) ("Guangzhou Yuntuo"), a company established in the PRC; and

(i) Shanghai Cheerwin Biotechnology Company Limited* (上海朝雲生物科技有限公司) ("Shanghai Cheerwin"), a company established in the PRC.

* The translation of name in English is for identification purpose only.

Throughout the Track Record Period, these operating subsidiaries have been under the collective control of the Controlling Shareholders, and interests held by parties other than the Controlling Shareholders before the completion of the Group Reorganisation are presented as non-controlling interests of the Group in the Historical Financial Information.

The major steps of the Group Reorganisation include the following:

(i) On 27 March 2018, Cheerwin Global BVI was incorporated as a limited liability company under the laws of BVI authorised to issue a maximum number of 50,000 shares of par value of United States dollars ("USD") 1 each. On the same date, 65 shares and 35 shares in Cheerwin Global BVI were allotted and issued at par to Ms. Li and Ms. Ma, respectively.

(ii) On 27 March 2018, Cheerwin Group Limited ("Cheerwin Group BVI") was incorporated as a limited liability company under the laws of BVI authorised to issue a maximum number of 50,000 shares of par value of USD1 each. On the same date, 65 shares and 35 shares in Cheerwin Group BVI were allotted and issued at par to Ms. Li and Ms. Ma, respectively.

(iii) On 13 April 2018, Cheerwin Group Limited ("Cheerwin Group HK") was incorporated in Hong Kong as a limited company with an issued share capital of HK$100 divided into 100 shares of Hong Kong dollars ("HK$") 1 each. On the same date, 65 shares and 35 shares in Cheerwin Group HK were allotted and issued to Ms. Li and Ms. Ma, respectively, at a cash consideration of HK$100.

On 13 April 2018, Cheerwin Global Limited ("Cheerwin Global HK") was incorporated in Hong Kong as a limited company with an issued share capital of HK$100 divided into 100 shares of Hong Kong dollars ("HK$") 1 each. On the same date, 65 shares and 35 shares in Cheerwin Group HK were allotted and issued to Ms. Li and Ms. Ma, respectively, at a cash consideration of HK$100.

(iv) On 15 April 2018, the Company was incorporated under the Company Laws of the Cayman Islands as an exempted company with limited liability. The initial authorised share capital of the Company was USD50,000 divided into 50,000 shares with a par value of USD1 each. Upon incorporation, 65 shares and 35 shares in the Company were allotted and issued at par to Ms. Li and Ms. Ma, respectively.

(v) On 19 October 2018, Guangzhou Cheerwin Holding Company Limited* (廣州朝雲控股有限公司) ("Guangzhou Cheerwin") was established under the laws of the PRC with a registered capital of RMB30,000,000 divided into 30,000,000 shares and fully paid up in cash by the Controlling Shareholders.

(vi) On 14 November 2018 and 19 November 2018, Guangzhou Cheerwin established two wholly-owned subsidiaries, Guangzhou Yuntuo and Shanghai Runzhisu under the laws of the PRC, each with a registered capital of RMB1,000,000 divided into 1,000,000 shares.

(vii) On 27 March 2019, Ms. Li and Ms. Ma transferred their entire equity interests in Cheerwin Group HK to Cheerwin Group BVI at a cash consideration of HK$100. On 27 March 2019, Ms. Li and Ms. Ma transferred their entire equity interests in Cheerwin Group BVI to the Company at a cash consideration of USD100. Upon the completion of the transfers, Cheerwin Group HK and Cheerwin Group BVI became the wholly-owned subsidiaries of the Company.

(viii) On 27 March 2019, Ms. Li and Ms. Ma transferred their entire equity interests in the Company to Cheerwin Global BVI, and as a consideration, 5,850 shares and 3,150 shares in Cheerwin Global BVI were allotted and issued to Ms. Li and Ms. Ma, respectively.

(ix) On 27 March 2019, Cheerwin Global BVI further allotted and issued 650 shares and 350 shares at par to Mr. KX Chen and Mr. KC Chen, respectively. Upon completion of the above allotment and issues, Cheerwin Global BVI was held as to 58.5%, 31.5%, 6.5% and 3.5% by Ms. Li, Ms. Ma, Mr. KX Chen and Mr. KC Chen, respectively.

* The translation of name in English is for identification purpose only.

(x) On 16 May 2019, the Controlling Shareholders transferred 5% of equity interest in Guangzhou Cheerwin to Bestart (Hong Kong) Investments Company Limited ("Bestart HK"), a company incorporated in Hong Kong and wholly owned by Mr. Mao Mao ("Mr. Mao"), who is independent to the Group, at a cash consideration of RMB1,500,000.

(xi) On 29 July 2019, Guangzhou Cheerwin established a wholly-owned subsidiary, Shanghai Cheerwin under the laws of the PRC with a registered capital of RMB5,000,000, divided into 5,000,000 shares.

(xii) On 7 November 2019, Guangzhou Cheerwin acquired the entire equity interests in Cheerwin Biotechnology from the Controlling Shareholders for a cash consideration of RMB7,801,000.

(xiii) On 27 November 2019, Guangzhou Cheerwin acquired the entire equity interests in Guangzhou Tonli, Guangzhou Yuncheng and Leda Automobile from Cheerwin Biotechnology for an aggregate cash consideration of RMB1,830,000.

(xiv) On 10 December 2019, Cheerwin Biotechnology acquired 52% of equity interest in Panyu Cheerwin from a company and a limited partnership owned and controlled by the Controlling Shareholders for a cash consideration of RMB18,046,000.

(xv) On 31 December 2019, Cheerwin Biotechnology acquired the entire equity interest in Anfu Cheerwin from the Controlling Shareholders and a company controlled by the Controlling Shareholders for an aggregate cash consideration of RMB53,677,000.

(xvi) On 24 June 2020, Cheerwin Group HK acquired 95% of equity interest in Guangzhou Cheerwin from the Controlling Shareholders for a cash consideration of RMB29,370,000.

(xvii) On 24 June 2020, Cheerwin Group HK acquired the remaining 5% of equity interest in Guangzhou Cheerwin from Bestart HK for a cash consideration of RMB1,550,000. Upon the completion of the acquisition, Guangzhou Cheerwin and its wholly-owned subsidiaries became the wholly-owned subsidiaries of the Company.

(xviii) On 24 June 2020, the Company further allotted and issued 100 shares, among 98 shares were allotted and issued at par to Cheerwin Global BVI and 2 shares were allotted and issued to Bestart International Holdings Limited, a company incorporated in the BVI and wholly owned by Mr. Mao at a cash consideration of RMB1,550,000. Upon the completion of the above allotment and issues, the Company was held as to 99% and 1% by Cheerwin Global BVI and Bestart BVI, respectively.

(xix) On 26 June 2020, Cheerwin Group HK acquired the entire equity interests in Cheerwin Global HK from the Controlling Shareholders for a cash consideration of HK$100.

Pursuant to the Group Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 26 June 2020. The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity, as the Company and its subsidiaries have been under the collective control of the Controlling Shareholders throughout the Track Record Period, or since their respective dates of incorporation/establishment/acquisition by the Company, where is a shorter period. Accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The Historical Financial Information has been prepared under the principles of merger accounting before the completion of the Group Reorganisation. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence, except for the equity interests in the operating subsidiaries held by parties other than the Controlling Shareholders, throughout the Track Record Period, or since their respective dates of incorporation/establishment/acquisition by the Company, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019 have been prepared to present the carrying amounts of the assets and liabilities of the companies now comprising the Group as if the current group structure, except for the equity interests in the operating subsidiaries held by parties other than the Controlling Shareholders, has been in existence at those dates taking into account the respective dates of incorporation/establishment/acquisition by the Company, where applicable.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRSs and the Amendments to References to the Conceptual Framework in IFRS Standards that are effective for the financial year beginning on 1 January 2020 and throughout the Track Record Period, except that the Group adopted (i) IFRS 9 *Financial Instruments* ("IFRS 9") since 1 January 2018 and International Accounting Standard ("IAS") 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") for the year ended 31 December 2017. The accounting policies for financial instruments under IFRS 9 are set out in Note 4 below.

IFRS 9

At 1 January 2018, the Group has applied IFRS 9 and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and other items, and (3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information for the year ended 31 December 2018 may not be comparable to information for the year ended 31 December 2017 as such information was prepared under IAS 39.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets subject to impairment assessment under ECL model under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Financial assets at amortised cost (previously classified as loans and receivables)	**Retained profits**
	RMB'000 *(Note a)*	*RMB'000*
Closing balance at 31 December 2017 – IAS 39	684,327	273,634
Effect arising from initial application of IFRS 9:		
Remeasurement		
Impairment under ECL model *(Note b)*	(608)	(608)
Opening balance at 1 January 2018 – IFRS 9	683,719	273,026

Notes:

(a) Classification of financial instruments

The application of IFRS 9 on 1 January 2018 has no impact on the consolidated financial position of the Group with regard to reclassification of financial instruments. All financial assets classified as loans and receivables and financial liabilities measured at amortised cost under IAS 39 continued to be measured at amortised cost under IFRS 9.

(b) Impairment under ECL model

As at 1 January 2018, the management of the Group reviewed and assessed the Group's existing financial assets for impairment under ECL model using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9.

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and trade related balances with related parties.

For other financial assets, including non-trade related balances with related parties, other receivables, pledged bank deposits and bank balances, the management of the Group has performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of these balances. Accordingly, the loss allowance for these balances are measured at an amount equal to 12-month ECL ("12m ECL").

As at 1 January 2018, additional credit loss allowance of approximately RMB608,000 for trade receivables has been recognised against retained profits. The additional loss allowance is charged against the trade receivables. Based on the assessment performed by the management of the Group, the ECL on other financial assets at amortised cost is insignificant and therefore did not result in an adjustment of opening retained profits.

All loss allowances for trade receivables as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivables
	RMB'000
At 31 December 2017 – IAS 39	160
Amounts remeasured through opening retained profits	608
At 1 January 2018 – IFRS 9	768

Impacts on opening consolidated statement of financial position arising from the application of IFRS 9

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position as at 1 January 2018 had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017	**IFRS 9**	**1 January 2018**
	RMB'000 *(audited)*	*RMB'000*	*RMB'000* *(restated)*
Current assets			
Trade and other receivables	31,623	(608)	31,015
Capital and reserves			
Reserves	292,387	(608)	291,779

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

At the date of this report, the Group has not applied the following new and amendments to IFRSs or IASs and new interpretation that have been issued but not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[2]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 June 2020

5 Effective for annual periods beginning on or after 1 January 2021

The management of the Group considers that the application of all the new and amendments to IFRSs and IASs is unlikely to have a material impact on the Group's financial position and performance as well as disclosure in foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payments*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

Investment in a subsidiary

Investment in a subsidiary is included in the statements of financial position of the Company at cost less any identified impairment loss.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contract, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Specifically, revenue is recognised as follows:

Sales of goods

The Group sells household insecticides and repellents, household cleaning, air care, personal care, pet care and other cleaning products to customers. Revenue is recognised when control of the goods has transferred according to respective agreed terms of delivery. Revenue is recognised at a point in time when the customer obtains control of the distinct good.

For contracts that contain variable consideration (e.g. sales returns or volume rebates), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstances during each reporting period.

The Group recognises a refund liability (included in trade and other payables) if the Group expects to refund some or all of the consideration received from customers.

For a sale of products with a right of return, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);

(b) a refund liability/contract liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases for warehouses that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received; and

- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures the lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment;
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit before tax' because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Financial instruments

Initial recognition under IAS 39 and IFRS 9

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and measurement of financial assets (before application of IFRS 9 on 1 January 2018)

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as a default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of a receivable could include the Group's past experience of collecting payments, an increase in the number of delayed payments past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 3)

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of each reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets (upon application of IFRS 9 with transitions on 1 January 2018)

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, amounts due from related parties, amounts due from shareholders, amount due from a subsidiary, pledged bank deposits and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and trade-related amounts due from related parties. The ECL on these assets are assessed individually for debtors with credit-impaired or significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the basis as below:

- Nature of financial instruments (i.e. the Group's trade receivables and trade related balances with related parties are each assessed as a separate group);

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to related parties, amounts due to shareholders and bank borrowing) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Estimated allowance of inventories

The Group records inventories at the lower of cost and net realisable value. Net realisable value is the estimated selling price for inventories, less all the estimated costs of completion and costs necessary to make the sales. Regular operational procedures have been in place to monitor the allowance of inventories due to the significant balance involved and nature of the inventories. The management identifies the aged, obsolete and damaged inventories based on expiry date and conditions of the finished goods and estimate the allowance with reference to the net realisable value. Although the Group carries out regular reviews on the net realisable value of inventories, the actual realisable value of inventories is not known until the sales is concluded.

As at 31 December 2017, 2018 and 2019 and 30 September 2020, the carrying amounts of inventories of the Group were approximately RMB378,657,000, RMB484,818,000, RMB373,266,000 and RMB168,072,000, net of provision for impairment of approximately RMB320,000, RMB2,119,000, RMB3,918,000 and RMB1,592,000, respectively.

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. Any change in these estimates may have a material impact on the results of the Group.

As at 31 December 2017, 2018 and 2019 and 30 September 2020, the carrying amounts of property, plant and equipment were approximately RMB73,592,000, RMB115,391,000, RMB135,523,000 and RMB146,257,000, respectively.

Estimated impairment of trade receivables and amounts due from related parties

Prior to 1 January 2018, when there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where applicable). Where the actual future cash flows are less than expected, or being revised downward due to the change in facts and circumstances, a material impairment loss/further impairment loss may arise. Where the actual future cash flows are less than expected, or being revised downward due to the change in facts and circumstances, a material impairment loss/further impairment loss may arise.

As at 31 December 2017, the carrying amounts of trade receivables were approximately RMB6,119,000, net of allowance of doubtful debts of approximately RMB160,000.

As at 31 December 2017, the carrying amounts of amounts due from related parties were approximately RMB553,263,000.

Starting from 1 January 2018, the Group adopted IFRS 9 and the Group estimates the amount of lifetime ECL of not credit-impaired trade receivables and trade related balances with related parties based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors and past due status of respective receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, credit-impaired trade receivables, trade receivables with significant balances and trade related balances with related parties are assessed for ECL individually. The loss allowance amounts of the credit-impaired trade receivables and trade related balances with related parties are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future losses.

For the non-trade related balances with related parties, the directors of the Company have performed impairment assessment, and concluded that there are no significant increase in credit risk since initial recognition of these balances. Accordingly, the loss allowance for non-trade related balances with related parties are measured at 12m ECL.

Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The information about the Group's trade receivables and amounts due from related parties and the ECL assessment is disclosed in Notes 19, 20 and 30, respectively. As at 31 December 2018 and 2019 and 30 September 2020, the carrying amounts of the Group's trade receivables were approximately RMB5,994,000, RMB7,166,000 and RMB13,593,000, net of allowance for credit losses of approximately RMB1,257,000, RMB992,000 and RMB2,671,000, respectively. As at 31 December 2018 and 2019 and 30 September 2020, the carrying amounts of the Group's amounts due from related parties (excluding prepayments to related parties) were approximately RMB76,753,000, RMB51,553,000 and RMB93,312,000, respectively.

Variable consideration for volume rebates

The Group includes in the transaction price some or all of an amount of variable considerations only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group estimates variable consideration to be included in the transaction price for the sales of products with volume rebates.

The Group's volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will likely be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date.

The Group assesses the expected annualised volume rebates regularly and accrued sales rebates are adjusted accordingly. Estimates of expected volume rebates are sensitive to changes in circumstances and the Group's past experience regarding rebate entitlements may not be representative of a customer's actual rebate entitlements in the future. As at 31 December 2017, 2018 and 2019 and 30 September 2020, the amounts recognised as accrued sales rebates were approximately RMB61,080,000 RMB38,349,000 RMB83,910,000 and RMB105,736,000 for the expected volume rebates, respectively.

6. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the manufacturing and trading of household insecticides and repellents, household cleaning, air care, personal care, pet care and other products in the PRC.

(i) Disaggregation of revenue

An analysis of the Group's revenue for the Track Record Period is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue by types of products					
Household insecticides and repellents	920,380	936,376	875,948	862,612	948,083
Household cleaning	330,170	330,846	362,200	273,576	354,957
Air care	77,353	63,501	62,096	49,111	46,124
Personal care	–	–	71,495	54,851	92,810
Pet care	35	87	1,743	254	9,940
Others *(Note)*	18,276	19,263	9,920	9,642	9,461
Total	1,346,214	1,350,073	1,383,402	1,250,046	1,461,375
Timing of revenue recognition					
At a point in time	1,346,214	1,350,073	1,383,402	1,250,046	1,461,375

Note: Others included numerous household supplies, appliances and other products, none of them accounted for a material portion individually.

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers

As at 31 December 2017, 2018 and 2019 and 30 September 2020, the Group had aggregate amount of the transaction price allocated to remaining performance obligations (unsatisfied or partially unsatisfied) amounted to approximately RMB223,547,000, RMB154,057,000, RMB455,905,000 and RMB101,317,000, respectively. The amounts were equivalent to the contract liabilities as at 31 December 2017, 2018 and 2019 and 30 September 2020, which represented payments received from customers by the Group while the underlying goods are yet to be delivered.

Based on the information available to the Group at the end of each reporting period, management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts as at 31 December 2017, 2018 and 2019 and 30 September 2020 will be recognised as revenue within next twelve months.

(iii) Segment information

Revenue and operating result of the Group are reported to the management of the Group, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment. The accounting policies are the same as the Group's accounting policies described in Note 4. No other analysis of the Group's results nor assets and liabilities is regularly provided to the CODM for review and the CODM reviews the overall results and financial position of the Group as a whole. Accordingly, the CODM has identified one operating segment and only entity-wide disclosures on revenue, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

(iv) Geographic information

The Group principally operates in the PRC, which is also the place of domicile. The Group's revenue is almost all derived from operations in the PRC and the Group's non-current assets are all located in the PRC.

(v) Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Track Record Period are as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Customer A *(Note)*	241,427	310,591	286,634	251,595	302,200

Note: Customer A represented a group of entities under common control of the Controlling Shareholders. No single entity other than Customer A contributes 10% or more of total revenue of the Group for the respective years/periods.

7A. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Government grants *(Note)*	1,789	18,608	35,822	13,158	9,860
Bank interest income	319	663	1,193	827	3,329
Interest income from a related party *(Note 20)*	–	8,674	–	–	–
Imputed interest income from a related party *(Note 20)*	8,292	2,712	–	–	–
Investment income from financial assets at FVTPL	–	1,782	3,730	1,946	2,922
Others	1,415	1,745	1,358	804	753
	11,815	34,184	42,103	16,735	16,864

Note: The amount represented subsidy income received from certain government authorities in the PRC for the purpose of giving immediate financial support to the Group with no future related costs.

7B. OTHER GAINS AND LOSSES

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
(Losses) gains on disposal/write-off of property, plant and equipment	(7,618)	100	230	213	(9)
Donations *(Note)*	–	–	–	–	(18,454)
	(7,618)	100	230	213	(18,463)

Note: During the nine months ended 30 September 2020, the Group made a donation of disinfectant and relevant anti-epidemic products with carrying value of RMB18,454,000 to the Red Cross Society of China.

8. SELLING AND DISTRIBUTION EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Staff costs	15,039	34,486	38,724	27,096	40,404
Promotion service expenses	97,355	54,660	64,036	56,984	39,049
E-commerce channel promotion expenses	–	5,701	59,488	42,408	46,353
Advertising service expenses	41,249	40,895	38,535	31,269	38,093
Transportation and storage expenses	40,343	42,358	66,603	60,047	71,881
Marketing expenses	5,290	13,644	19,570	16,246	12,106
Shopping guide expenses	19,604	17,541	19,064	17,076	10,896
Gift expenses	8,734	26,861	25,808	22,421	24,948
Others	1,467	4,874	2,400	2,165	738
	229,081	241,020	334,228	275,712	284,468

9. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest expense in lease liabilities	(182)	(307)	(299)	(175)	(314)
Interest expense on bank borrowing	–	–	–	–	(1,469)
	(182)	(307)	(299)	(175)	(1,783)

10. INCOME TAX EXPENSE

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
PRC Enterprise Income Tax ("EIT"):					
Current tax	77,976	60,208	55,687	45,561	67,790
Underprovision in prior year	–	–	1,370	1,370	–
	77,976	60,208	57,057	46,931	67,790
Deferred tax *(Note 17)*	(19,517)	4,319	(9,201)	(1,619)	(11,383)
	58,459	64,527	47,856	45,312	56,407

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is exempted from the Cayman Islands income tax.

No provision for Hong Kong Profits Tax has been made in the Historical Financial Information as the Group had no assessable profit subject to Hong Kong Profits Tax for the Track Record Period.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC EIT rate of subsidiaries of the Group operating in the PRC was 25% for the Track Record Period, except for those described below.

Anfu Cheerwin has been qualified as a New and Hi-Tech Enterprise and entitled to a preferential tax rate of 15% from 2019 to 2021 granted by the local tax authority.

Income tax expense for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit before tax	228,634	241,562	232,216	219,981	271,316
Tax at PRC EIT rate of 25%	57,159	60,391	58,054	54,995	67,829
Tax effect of income not taxable for tax purpose	(2,073)	(678)	(16)	–	–
Tax effect of super deduction for research and development expenses *(Note)*	–	–	(964)	(723)	(1,131)
Tax effect of expenses not deductible for tax purpose	148	3,208	5,160	3,597	3,313
Tax effect of deductible temporary differences not recognised	4,736	4,150	4,772	2,351	4,089
Utilisation of deductible temporary difference previously not recognised	(1,511)	(2,544)	(3,967)	(3,382)	(3,071)
Effect on preferential tax rate of a subsidiary	–	–	(16,553)	(12,896)	(14,622)
Underprovision in prior year	–	–	1,370	1,370	–
Income tax expense for the year/period	58,459	64,527	47,856	45,312	56,407

Note: The eligible expenditures represent research and development costs incurred in the PRC and charged to profit or loss, which is subject to an additional 75% tax deduction in the calculation of income tax expense for the year ended 31 December 2019 and for the nine months ended 30 September 2019 and 2020.

11. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit for the year/period has been arrived at after charging:					
Directors' emoluments *(Note 12)*	–	485	773	650	2,195
Other staff costs:					
Salaries and other allowances	45,062	67,796	82,057	61,693	84,084
Contributions to retirement benefits scheme	2,351	3,206	4,498	3,348	2,615
Total staff costs *(Note)*	47,413	71,487	87,328	65,691	88,894
Depreciation of property, plant and equipment	3,599	6,202	9,997	7,485	7,890
Depreciation of right-of-use assets	1,567	2,261	2,231	1,401	2,494
Total depreciation	5,166	8,463	12,228	8,886	10,384
Less: capitalised in inventories	(1,542)	(2,132)	(4,098)	(2,511)	(2,816)
	3,624	6,331	8,130	6,375	7,568
Auditors' remuneration	87	90	153	153	375
Cost of inventories recognised as an expense	862,025	846,149	781,743	713,077	836,437

Note: Total staff costs have been charged to the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Staff costs included in cost of inventories and recognised as an expense	18,780	19,279	17,538	14,945	15,793
Selling and distribution expenses	15,039	34,486	38,724	27,096	40,404
Administrative expenses	13,594	17,722	31,066	23,650	32,697
	47,413	71,487	87,328	65,691	88,894

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

Details of the emoluments paid or payable to the directors of the Company (including emoluments for services as employees/directors of group entities comprising the Group prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period are as follows:

Year ended 31 December 2017

	Fee	Salaries and allowances	Performance related bonus	Retirement benefits Scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000* *(Note i)*	*RMB'000*	*RMB'000*
Executive directors					
Chen Danxia *(Note ii)*	–	–	–	–	–
Xie Rusong *(Note iii)*	–	–	–	–	–
Zhong Xuyi	–	–	–	–	–
	–	–	–	–	–

Year ended 31 December 2018

	Fee	Salaries and allowances	Performance related bonus	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000* *(Note i)*	*RMB'000*	*RMB'000*
Executive directors					
Chen Danxia *(Note ii)*	–	–	–	–	–
Xie Rusong *(Note iii)*	–	–	–	–	–
Zhong Xuyi	–	472	–	13	485
	–	472	–	13	485

Year ended 31 December 2019

	Fee	Salaries and allowances	Performance related bonus	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000* *(Note i)*	*RMB'000*	*RMB'000*
Executive directors					
Chen Danxia *(Note ii)*	–	–	–	–	–
Xie Rusong *(Note iii)*	–	–	–	–	–
Zhong Xuyi	–	713	45	15	773
	–	713	45	15	773

Nine months ended 30 September 2019 (Unaudited)

	Fee	Salaries and allowances	Performance related bonus	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000* *(Note i)*	*RMB'000*	*RMB'000*
Executive directors					
Chen Danxia *(Note ii)*	–	–	–	–	–
Xie Rusong *(Note iii)*	–	–	–	–	–
Zhong Xuyi	–	594	45	11	650
	–	594	45	11	650

Nine months ended 30 September 2020

	Fee	Salaries and allowances	Performance related bonus	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000* *(Note i)*	*RMB'000*	*RMB'000*
Executive directors					
Chen Danxia *(Note ii)*	–	571	–	3	574
Xie Rusong *(Note iii)*	–	904	–	4	908
Zhong Xuyi	–	640	65	8	713
	–	2,115	65	15	2,195

Notes:

(i) The performance related bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

(ii) The emoluments of Ms. Chen Danxia for her services provided to the Group were borne by an entity controlled by the Controlling Shareholders for the years ended 31 December 2017, 2018 and 2019.

(iii) The emoluments of Mr. Xie Rusong for his services provided to the Group were borne by an entity controlled by the Controlling Shareholders for the years ended 31 December 2017, 2018 and 2019.

Ms. Chen Danxia was appointed as an executive director of the Company on 27 September 2018. Mr. Xie Rusong and Mr. Zhong Xuyi were appointed as executive directors of the Company on 25 August 2020.

Ms. Chen Danxia acts as chief executive of the Company with effect from 27 September 2018 and her emoluments disclosed above included those for services rendered by her as the chief executive in management of the affairs of the group entities.

Mr. Chen Zexing was appointed as a non-executive director of the Company on 25 August 2020 and Mr. Guo Sheng, Dr. De-Chao Michael Yu and Mr. Chan Wan Tsun Adrian Alan were appointed as independent non-executive directors of the Company on 19 February 2021. No emoluments have been paid to Mr. Chen Zexing since his appointment.

None of the directors nor chief executive waived or agreed to waive any emoluments during the Track Record Period.

Employees' emoluments

The five highest paid individuals of the Group included nil, one, one, one (unaudited) and one director, whose emoluments are included in the disclosures above for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020. The emoluments of the remaining five, four, four, four (unaudited) and four individuals for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020, respectively, are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salaries and allowances	2,385	3,307	3,687	1,906	3,586
Retirement benefits scheme contributions	55	52	59	44	44
	2,440	3,359	3,746	1,950	3,630

The emoluments of the five highest paid individuals, other than directors, were within the following bands:

	Number of employees				
	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
Nil to HK$1,000,000	5	3	2	4	2
HK$1,000,001 to HK$1,500,000	–	1	2	–	2
	5	4	4	4	4

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

During the year ended 31 December 2017, a dividend of RMB100,000,000 was declared to the shareholders of Anfu Cheerwin.

During the year ended 31 December 2018, dividends of RMB29,059,000, RMB376,075,000 and RMB18,511,000 were declared to the shareholders of Anfu Cheerwin, Cheerwin Biotechnology and Panyu Cheerwin, respectively.

During the year ended 31 December 2019, dividends of RMB117,696,000, RMB91,488,000 and RMB7,492,000 were declared to the shareholders of Anfu Cheerwin, Cheerwin Biotechnology and Panyu Cheerwin, respectively.

The rate of dividend and number of shares ranking for the above dividends are not presented as such information is not considered meaningful having regard to the purpose of this report.

No dividend was paid or declared by the Company since its incorporation.

14. EARNINGS PER SHARE

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Earnings for the purpose of calculating basic earnings per share (profit for the year/period attributable to the owners of the Company)	170,175	177,035	185,164	174,874	205,291

	No. of Shares	No. of Shares	No. of Shares	No. of Shares	No. of Shares
	'000	*'000*	*'000*	*'000*	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	990,000	990,000	990,000	990,000	993,613

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined based on the assumption that the Group Reorganisation as disclosed in Note 2 and share subdivision as described in Appendix IV to the Prospectus had been effective on 1 January 2017.

No diluted earnings per share is presented for the Track Record Period as there was no potential ordinary share in issue.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2017	20,786	13,883	1,389	1,006	41,447	78,511
Additions	–	862	173	–	18,062	19,097
Transfer	55,958	704	–	166	(56,828)	–
Disposals/write-off	(12,821)	(2,119)	(1)	(9)	–	(14,950)
At 31 December 2017	63,923	13,330	1,561	1,163	2,681	82,658
Additions	–	5,641	172	3,431	38,946	48,190
Transfer	–	17,155	–	578	(17,733)	–
Disposals/write-off	(121)	(57)	(5)	(111)	–	(294)
At 31 December 2018	63,802	36,069	1,728	5,061	23,894	130,554
Additions	–	4,395	533	1,905	23,600	30,433
Transfer	5,050	92	–	–	(5,142)	–
Disposals/write-off	–	(182)	(260)	(180)	–	(622)
At 31 December 2019	68,852	40,374	2,001	6,786	42,352	160,365
Additions	82	1,447	–	599	16,540	18,668
Disposals/write-off	–	(195)	(30)	(5)	–	(230)
At 30 September 2020	68,934	41,626	1,971	7,380	58,892	178,803

	Buildings	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ACCUMULATED DEPRECIATION						
At 1 January 2017	3,275	5,741	727	631	–	10,374
Provided for the year	1,465	1,669	332	133	–	3,599
Eliminated on disposals/write-off	(3,033)	(1,864)	(1)	(9)	–	(4,907)
At 31 December 2017	1,707	5,546	1,058	755	–	9,066
Provided for the year	3,046	2,578	209	369	–	6,202
Eliminated on disposals/write-off	(48)	(51)	(5)	(1)	–	(105)
At 31 December 2018	4,705	8,073	1,262	1,123	–	15,163
Provided for the year	3,264	4,616	224	1,893	–	9,997
Eliminated on disposals/write-off	–	(161)	(145)	(12)	–	(318)
At 31 December 2019	7,969	12,528	1,341	3,004	–	24,842
Provided for the period	2,465	3,645	200	1,580	–	7,890
Eliminated on disposals/write-off	–	(153)	(28)	(5)	–	(186)
At 30 September 2020	10,434	16,020	1,513	4,579	–	32,546
CARRYING VALUES						
At 31 December 2017	62,216	7,784	503	408	2,681	73,592
At 31 December 2018	59,097	27,996	466	3,938	23,894	115,391
At 31 December 2019	60,883	27,846	660	3,782	42,352	135,523
At 30 September 2020	58,500	25,606	458	2,801	58,892	146,257

The above items of property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis over the following years after taking into account the residual values:

	Useful lives
Buildings	20 years
Plant and machinery	5 to 10 years
Motor vehicles	5 years
Office equipment	3 to 5 years

The Group's buildings are located in the PRC.

16. RIGHT-OF-USE ASSETS

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amounts:				
Leased properties	7,022	3,678	9,712	7,358
Leasehold lands	6,605	7,017	6,923	8,254
	13,627	10,695	16,635	15,612

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Depreciation recognised in profit or loss:					
Leased properties	1,401	2,094	2,050	1,264	2,354
Leasehold lands	166	167	181	137	140
	1,567	2,261	2,231	1,401	2,494

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Expense relating to short-term leases	863	1,372	6,417	5,568	3,071
Total cash outflow for leases	2,491	4,054	9,192	7,423	7,362
Additions to right-of-use assets	6,184	579	8,084	8,084	1,471

The Group leases various offices for its operation. Lease contracts are entered into for fixed term of 3 years to 5 years with fixed payments. In addition, lump sum payments were made upfront to acquire the land use rights in the PRC, where its manufacturing facilities are primarily located. The Group does not have the option to purchase the leasehold lands and leased properties for a nominal amount at the end of the relevant lease terms or any extension/termination options which are solely at the Group's discretion. The Group determines the lease period to be the non-cancellable period based on the contractual terms of the contract.

The Group regularly entered into short-term leases for warehouses. As at 31 December 2017, 2018 and 2019 and 30 September 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

17. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised and movements thereon during the Track Record Period:

	Accrued sales rebates	Unrealised profit on inventories	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	141	3,792	697	4,630
Credited (charged) to profit or loss *(Note 10)*	19,199	568	(250)	19,517
At 31 December 2017	19,340	4,360	447	24,147
(Charged) credited to profit or loss *(Note 10)*	(5,669)	1,217	133	(4,319)
At 31 December 2018	13,671	5,577	580	19,828
Credited (charged) to profit or loss *(Note 10)*	12,200	(2,419)	(580)	9,201
At 31 December 2019	25,871	3,158	–	29,029
Credited to profit or loss *(Note 10)*	8,458	2,925	–	11,383
At 30 September 2020	34,329	6,083	–	40,412

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the Historical Financial Information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB321,517,000, RMB68,176,000, RMB38,615,000 and RMB263,511,000 as at 31 December 2017, 2018 and 2019 and 30 September 2020, respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 December 2017, 2018 and 2019 and 30 September 2020, the Group has deductible temporary differences of approximately RMB18,953,000, RMB25,378,000, RMB28,598,000 and RMB32,670,000. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

18. INVENTORIES

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	71,628	76,930	57,578	32,178
Work-in-progress	52,052	211,992	48,260	10,283
Finished goods	254,977	195,896	267,428	125,611
	378,657	484,818	373,266	168,072

19. TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	6,279	7,251	8,158	16,264
Less: Allowance for doubtful debts/credit losses	(160)	(1,257)	(992)	(2,671)
	6,119	5,994	7,166	13,593
Prepayments for purchase of raw materials	2,904	4,865	12,742	26,249
Prepaid promotion service expenses	952	6,172	2,592	5,817
Other tax recoverables	13,562	21,700	39,999	19,269
Deferred issue costs	–	3,807	8,239	10,994
Receivables from payment intermediaries *(Note)*	–	–	8,035	5,598
Other receivables	8,086	17,811	12,335	10,574
	31,623	60,349	91,108	92,094

Note: Receivables from payment intermediaries represent the sales received by Alipay, Jingdong and other payment on behalf of the Group for the online platform sales. The balance will be transferred back to the bank accounts of the Group upon the Group's instruction.

The Company

	As at 31 December		As at 30 September
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Deferred issue costs	3,807	8,239	10,994

Trade receivables

As at 1 January 2017, trade receivables from contracts with customers amounted to approximately RMB72,243,000.

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on an individual basis. Limits attributed to customers are reviewed regularly.

The Group generally requires advance payments from majority of its customers before delivery of goods. For certain customers, the Group allows credit terms of 5 to 60 days from the invoice date for trade receivables.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts/credit losses, presented based on the invoice date which approximated the revenue recognition date at the end of each reporting period:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	4,338	4,707	3,920	5,118
31 – 60 days	596	29	15	4,340
61 – 90 days	345	–	45	4,135
91 – 120 days	15	63	54	–
121 – 180 days	209	125	108	–
181 – 365 days	489	662	643	–
Over 365 days	127	408	2,381	–
	6,119	5,994	7,166	13,593

As at 31 December 2017, included in the trade receivables balance are debtors with an aggregate carrying amount of RMB1,781,000 which were past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	As at 31 December 2017
	RMB'000
1 – 30 days	596
31 – 60 days	345
61 – 90 days	224
91 – 180 days	489
181 – 365 days	127
	1,781

Movement in the allowance for doubtful debts:

	2017
	RMB'000
1 January	–
Impairment loss recognised	160
31 December	160

Included in the allowance for doubtful debts as at 31 December 2017 are individually impaired trade receivables with an aggregate balance of approximately RMB160,000, which the Group has chased for settlement from these customers for months but the amounts remain unsettled and due over the normal credit period and are considered as irrecoverable.

As at 31 December 2018 and 2019 and 30 September 2020, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB1,287,000, RMB3,246,000 and RMB8,475,000 which are past due as at the reporting date. In particular, for trade receivable past due as at 30 September 2020, carrying amount of RMB6,547,000 is due from one single customer. The directors of the Company are of the opinion that there has not been a significant change in credit quality and the balances are still considered fully recoverable considering factors such as historical settlement patterns from and on-going business relationship with this customer. The entire balance has been fully settled subsequently. Out of the past due balances approximately RMB1,195,000, RMB3,132,000 and RMBnil have been past due over 90 days or more and are not considered as in default as there has not been a significant change in credit quality and amounts are still considered as recoverable based on historical experience. The Group does not hold any collateral over these balances.

As at 30 September 2020, the Group considered trade receivables with gross amount of approximately RMB1,943,000 became credit-impaired, as these debts were outstanding for more than one year and several attempts have been made by the Company to recover the debts but remained unsettled. Management of the Group determined to terminate the business relationship with these debtors.

Since 1 January 2018, the Group applies the simplified approach to measure ECL which uses a lifetime ECL for all trade receivables prescribed by IFRS 9. The trade receivables have been assessed based on provision matrix, grouped by the Group's internal credit rating at the reporting date.

Details of impairment assessment are set out in Note 30(b).

20. AMOUNTS DUE FROM (TO) RELATED PARTIES/A SUBSIDIARY

The Group

Amounts due from related parties

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade nature *(Notes a & b)*				
– Guangzhou Liby Group Company Limited	23,036	196	–	56,928
– Guangdong Liby Washing Products Company Limited	15,346	7,065	31,488	24,883
– Shanghai Liby Shiye Company Limited	9,751	1,267	8,776	7,533
– Tianjin Liby Product Sales Company Limited	225	778	1,274	591
– Guilin Liby Rihua Company Limited	2	102	–	–
– Tianjin Liwang E-commerce Company Limited	617	5,566	1	–
– Guangzhou Liby (Panyu) Company Limited	59	438	–	–
– Xinxiang Liby Shiye Company Limited	4	204	–	–
– Tianjin Liby Rihua Company Limited	–	1,663	–	–
– Chengdu Liby Shiye Company Limited	–	–	5,338	2,662
– Nanjing Liby Rihua Company Limited	–	–	4,675	715
	49,040	17,279	51,552	93,312

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade related prepayments *(Note a)*				
– Guangdong Lingjuli Advertising Company Limited	1,065	591	–	–
– Guangzhou Zhanze Property Management Company Limited	–	–	–	129
	1,065	591	–	129
Non-trade nature *(Notes a & c)*				
– Shanghai BKDR Commercial Factoring Company Limited *(Note d)*	253,000	–	–	–
– Guangzhou Liby Group Company Limited *(Note e)*	219,288	–	–	–
– Guangzhou BKDR Commercial Factoring Company Limited *(Note f)*	–	59,474	–	–
– Hunan Cheerwin Rihua Company Limited *(Note f)*	30,870	–	–	–
– Guangzhou Zhanze Property Management Company Limited *(Note f)*	–	–	1	–
	503,158	59,474	1	–
	553,263	77,344	51,553	93,441

Notes:

(a) These entities have been identified as related parties of the Group as they are under the common control by the Controlling Shareholders.

(b) Trade related balances with related parties arose from sales of goods. In general, 45 days credit period is allowed. The amounts were unsecured and interest-free.

The following is the aged analysis of trade related balances with related parties at the end of each reporting period presented based on the invoice date.

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 45 days	23,519	11,897	21,046	37,107
46 – 90 days	20,166	3,165	17,394	15,622
91 – 135 days	5,161	338	7,532	38,409
136 – 180 days	192	59	419	2,174
Over 180 days	2	1,820	5,161	–
	49,040	17,279	51,552	93,312

As at 31 December 2017, out of the total trade related balances with related parties amounting to RMB49,040,000, approximately RMB25,521,000 were past due as at the reporting date. The Group had not provided for impairment losses after considering the historical settlement records of the related parties and there is no adverse change in the credit standing of the debtor subsequent to the reporting period, the outstanding amounts were still considered recoverable. The Group did not hold any collateral over these balances and no interest was charged on overdue trade related balances with related parties.

As at 31 December 2018 and 2019 and 30 September 2020, included in the Group's trade related balances with related parties approximately RMB5,382,000, RMB30,506,000 and RMB56,205,000 were past due as at the reporting date. Out of the past due balances, approximately RMB1,879,000, RMB5,580,000 and RMB2,174,000 had been past due 90 days or more and was not considered as in default by considering the historical payment arrangement and forward-looking information of these related parties. The Group did not hold any collateral over these balances.

(c)

	Maximum amount during the			
	Year ended 31 December			**Nine months ended 30 September**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade nature				
– Shanghai BKDR Commercial Factoring Company Limited	253,000	300,000	–	–
– Guangzhou Liby Group Company Limited	267,288	239,288	–	–
– Guangzhou BKDR Commercial Factoring Company Limited	–	59,474	59,474	–
– Hunan Cheerwin Rihua Company Limited	30,870	–	–	–
– Guangzhou Zhanze Property Management Company Limited	–	–	1	1

(d) It represented loans advanced to a related party. The loans are unsecured, interest bearing at a fixed rate of 4.35% per annum, repayable in one year from the dates of the loans advanced.

(e) It represented loans advanced to a related party. The loans are unsecured, non-interest bearing and repayable in one year from the dates of the loans advanced and initially measured at fair value, based on the present value of the estimated future cash outflow discounted using the average effective interest rate of 4.9% per annum. The initial fair value adjustment on the interest-free advances provided to a related party amounting to approximately RMB11,004,000 was recognised as deemed distributions under retained profits upon inception of the loan advances during the year ended 31 December 2017. The imputed interest income was recognised in profit or loss amounting to approximately RMB8,292,000 and RMB2,712,000 for the years ended 31 December 2017 and 2018, respectively.

(f) These balances are interest-free, non-trade related, unsecured and repayable on demand.

Details of impairment assessment are set out in Note 30(b).

Amounts due to related parties

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade nature *(Note a)*				
– Guangzhou Liby Group Company Limited	164,575	69,482	56,932	27,770
– Xinxiang Liby Shiye Company Limited	38,640	11,050	18,826	8,734
– Guangzhou Liby (Panyu) Company Limited	27,160	12,725	10,937	6,770
– Maanshan Liby Rihua Company Limited	22,995	7,686	14,922	10,412
– Siping Liby Rihua Company Limited	11,736	1,842	2,027	3,447
– Tianjin Liby Rihua Company Limited	5,198	692	3,110	–
– Liby Rihua Company Limited	1,282	3,323	3,859	18,889
– Sichuan Liby Rihua Company Limited	2	–	–	2,281
– Nanjing Liby Rihua Company Limited	–	20	–	–
– Shanghai New COGI Cosmetic Co., Ltd.	–	–	259	410
	271,588	106,820	110,872	78,713
Non-trade nature *(Note b)*				
– Guangzhou Liby Group Company Limited	–	–	25,048	–
– Faguo Kangliang Cosmetics Company Limited	–	8,718	60,130	50,392
– Tianjin Aotelai Investment Corporation (Limited Partnership)	–	138,466	–	–
	–	147,184	85,178	50,392
	271,588	254,004	196,050	129,105

Notes:

(a) These entities have been identified as related parties of the Group as they are under the common control by the Controlling Shareholders.

Trade related balances with related parties arose from purchase of goods and provision of services. In general, 30 to 60 days credit period is allowed. These balances were unsecured and interest-free.

The following is an aged analysis of the Group's trade related balances with related parties at the end of each reporting period presented based on invoice date:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	123,297	70,808	61,118	45,738
31 – 60 days	23,707	16,692	14,295	18,157
61 – 90 days	19,491	6,612	11,003	5,320
91 – 180 days	45,648	873	19,393	4,172
181 – 365 days	12,659	7,277	–	5,326
Over 365 days	46,786	4,558	5,063	–
	271,588	106,820	110,872	78,713

(b) The balance is interest-free, non-trade related, unsecured and repayable on demand. As represented by the directors of the Company, the balance will be settled upon Listing.

The Company

Amount due from (to) a subsidiary

The amount is non-trade in nature, interest-free, unsecured and repayable on demand.

21. FINANCIAL ASSETS AT FVTPL

As at 31 December 2018 and 30 September 2020, financial assets at FVTPL represented structured deposits of RMB25,000,000 and RMB335,000,000, respectively, which were non-principal protected deposits placed in banks in the PRC. The return of the structured deposits was determined by reference to the return of their underlying investments. The expected return of the structured deposits as at 31 December 2018 and 30 September 2020 were 3% per annum and ranging from 1.5% to 3% per annum. The structured deposit as at 31 December 2018 and 30 September 2020 have no fixed contractual period, they can be redeemed any time at the Group's discretion.

Since the contractual cash flows of structured deposits do not represent solely the payments of principal and interest on the principal amount outstanding, structured deposits are measured at FVTPL. Details of the fair value measurement over the structured deposits are disclosed in Note 30.

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits are deposits pledged to a bank for providing banking service of an online ordering platform for distributors. The pledged bank deposits carry interest rate of 0.30% per annum as at 31 December 2017, 2018 and 2019. Such pledged bank deposits have been released during the nine months ended 30 September 2020.

Bank balances and cash consists of balance with banks and cash on hand. Bank balances carry interest at prevailing market rate of 0.30% per annum as at 31 December 2017, 2018, 2019 and 30 September 2020.

23. TRADE AND OTHER PAYABLES

The Group

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	222,292	295,493	172,146	82,686
Accrued sales rebates *(Note)*	61,080	38,349	83,910	105,736
Other accrued expenses	14,510	6,966	20,497	22,629
Accrued staff payroll and welfare	7,403	8,249	12,623	26,100
Construction costs payables	4,177	5,165	11,369	3,217
Other tax payables	4,773	11,166	1,881	8,801
Other payables	3,490	12,717	11,368	8,483
Accrued issued costs and listing expenses	–	7,901	24,801	32,233
	317,725	386,006	338,595	289,885

Note: The accrued sales rebates will be settled in cash or through offsetting future sales orders, at the discretion of the Group's customers.

Trade payables

The credit period of trade payables is normally within 20 to 60 days from the invoice date.

The following is an aged analysis of trade payables, presented based on the invoice date at the end of each reporting period:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	140,066	235,999	108,167	60,210
31 – 60 days	44,935	56,711	56,666	12,162
61 – 90 days	14,916	1,479	7,244	5,985
Over 90 days	22,375	1,304	69	4,329
	222,292	295,493	172,146	82,686

The Company

	As at 31 December		As at 30 September
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Accrued issued costs and listing expenses	7,901	24,801	32,233

24. CONTRACT LIABILITIES

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receipts in advances from customers – finished goods	223,547	154,057	455,905	101,317

As at 1 January 2017, contract liabilities amounted to approximately RMB24,217,000.

The Group generally requires advance payments from majority of its customers before delivery of goods. This will give rise to a contract liability at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount received.

The following table shows how much of the revenue recognised for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 relates to the contract liabilities at the beginning of the year/period:

	Year ended 31 December			Nine months ended 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognised during the year/period	24,217	223,547	154,057	455,905

25. AMOUNTS DUE FROM (TO) SHAREHOLDERS

The amounts are non-trade in nature, interest-free, unsecured and repayable on demand. In the opinion of the directors of the Company, the amounts will be settled prior to the Listing.

26A. LEASE LIABILITIES

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities payable:				
Within one year	1,838	1,577	3,225	2,049
Within a period of more than one year but not more than two years	4,796	2,216	6,880	5,550
Within a period of more than two years but not more than five years	822	617	–	–
	7,456	4,410	10,105	7,599
Less: Amount due for settlement within 12 months shown under current liabilities	(1,838)	(1,577)	(3,225)	(2,049)
Amount due for settlement after 12 months shown under non-current liabilities	5,618	2,833	6,880	5,550

When recognising the lease liabilities for leases, the Group has applied incremental borrowing rates of the relevant group entities at the leases commencement/modification dates. The weighted average incremental borrowing rates applied by the relevant group entities are 4.75% per annum.

26B. BANK BORROWING

As at 30 September 2020, the Group's bank borrowing of RMB300,000,000 is denominated in RMB and carries interest at a fixed rate of 2.05% per annum. The bank borrowing as at 30 September 2020 is unsecured and repayable within one year and shown under current liabilities.

27. SHARE CAPITAL/PAID IN CAPITAL

The Group

The paid-in capital of the Group as at 1 January 2017 and 31 December 2017 represented the combined share capital of Cheerwin Biotechnology of RMB5,000,000, Anfu Cheerwin of RMB30,000,000 and Panyu Cheerwin of RMB15,600,000 attributable to the Controlling Shareholders.

The paid-in capital of the Group as at 31 December 2018 represented the combined share capital of the Company of RMB1,000, Cheerwin Group BVI of RMB1,000, Guangzhou Cheerwin of RMB30,000,000, Cheerwin Biotechnology of RMB5,000,000, Anfu Cheerwin of RMB30,000,000 and Panyu Cheerwin of RMB15,600,000 attributable to the Controlling Shareholders.

The paid-in capital of the Group as at 31 December 2019 represented the combined share capital of the Company of RMB1,000 and Guangzhou Cheerwin of RMB28,500,000 attributable to the Controlling Shareholders.

The paid-in capital of the Group as at 30 September 2020 represented the share capital of the Company of approximately RMB1,000.

The Company

	Number of shares	Share capital	Presented as
		USD	*RMB'000*
Ordinary shares of USD1 each			
Authorised			
At 15 April 2018 (date of incorporation), 31 December 2018 and 2019 and 30 September 2020	50,000	50,000	315
Issued and fully paid			
At 15 April 2018 (date of incorporation), 31 December 2018 and 2019	100	100	
Issue of Shares *(Note 2 (xviii))*	100	100	
At 30 September 2020	200	200	1

28. RETIREMENT BENEFIT PLAN

The eligible employees of the Company's subsidiaries in PRC are members of pension schemes operated by local government of the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of the relevant cost of payroll of these employees to the pension schemes to fund the benefits.

The contributions to the retirement benefits schemes for employees of the Group and directors of the Company during the Track Record Period are disclosed in Notes 11 and 12, respectively.

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists net debts, which include lease liabilities as disclosed in Note 26A and bank borrowing as disclosed in Note 26B, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of items in the context of capital structure, and takes appropriate actions to adjust the Group's capital structure. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends and continuity of funding of cash flows from operating activities.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVTPL	–	25,000	–	335,000
Financial assets at amortised cost	N/A	313,474	593,151	413,741
Loans and receivables (including bank balances and cash)	684,327	N/A	N/A	N/A
	684,327	338,474	593,151	748,741
Financial liabilities				
Amortised cost	521,547	652,829	623,117	657,507

The Company

	As at 31 December		As at 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost	1	1	31,276
Financial liabilities			
Amortised cost	15,228	32,961	43,978

(b) Financial risk management objectives and policies

The Group's and the Company's financial instruments include trade and other receivables, amounts due from related parties, amounts due from shareholders, financial assets at FVTPL, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, amounts due to shareholders, amount due to a subsidiary, bank borrowing and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate amount due from a related party (see Note 20 for details), bank borrowing (see Note 26B for details) and lease liabilities (see Note 26A for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances (see Note 22 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on pledged bank deposits and bank balances. The Group currently does not have an interest rate hedging policy. As management of the Group considered such exposure to cash flow interest rate risk for the Track Record Period is minimal, accordingly, no sensitivity analysis is presented.

Currency risk

The Group is not exposed to significant foreign exchange risk as it transacts mainly in RMB.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, amounts due from related parties, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group

Trade receivables and trade related balances with related parties arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual significant trade debt at the end of each reporting period to ensure that adequate impairment loss is recognised for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (before adoption of IFRS 9: incurred loss model) based on individual assessment and provision matrix. Except for credit-impaired trade receivables, trade receivables with significant balances and trade related balances with related parties, which are assessed for impairment individually, the remaining trade receivables and trade related balances with related parties are grouped under a provision matrix grouped by internal credit rating based on shared credit risk characteristics by reference to past due exposure for the customers. As at 31 December 2018 and 2019 and 30 September 2020, credit-impaired trade receivables with gross amount of approximately nil, nil and RMB1,943,000 were assessed individually. As at 31 December 2018 and 2019 and 30 September 2020, trade receivables with significant balances of approximately nil, nil and RMB9,289,000 were assessed individually. During the year ended 31 December 2018, the Group recognised credit loss allowance of approximately RMB489,000 for trade receivables based on provision matrix. During the year ended 31 December 2019 and the nine months ended 30 September 2020, the Group reversed credit loss allowance of approximately RMB265,000 and RMB264,000 for trade receivables based on provision matrix, respectively. Allowance for credit losses for trade related balances with related parties as at 31 December 2018 and 2019 and 30 September 2020 was not material. Details of the quantitative disclosures are set out below in this note.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% of the total trade receivables and trade related balances with related parties as at 31 December 2017, 2018 and 2019 and 30 September 2020.

Other receivables and non-trade related balances with related parties

The Group assessed the loss allowance for other receivables and non-trade related balances with related parties on 12-month ECL basis as the Group has considered that credit risks on these financial assets have not increased significantly since initial recognition. In determining the ECL, the Group has taken into account the historical default experience and forward looking information as appropriate. The Group has considered the consistently low historical default rate in connection with payments and the Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. In addition, the Controlling Shareholders agreed to provide adequate financial support to the related parties to meet in full their obligations as necessary. For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, management of the Group assessed the ECL for other receivables and non-trade balances with related parties were insignificant and thus no loss allowance was recognised.

Pledged deposits and bank balances

The credit risks on pledged deposits and bank balances are limited because the counterparties are authorised banks in the PRC with high credit ratings assigned by international credit-rating.

Other than the concentration of credit risk on liquid funds which are placed with several banks, the Group does not have any other significant concentration of credit risk.

The Group assessed 12m ECL for pledged bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposits and bank balances is considered to be insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/trade related balances with related parties	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due date but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group and the Company has no realistic prospect of recovery	Amount is written off	Amount is written off

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount At 31 December 2018	At 31 December 2019	At 30 September 2020
				RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost						
Trade receivables	19	*(Note 1)*	Lifetime ECL – not credit impaired (provision matrix)	7,251	8,158	5,032
		Low risk	Lifetime ECL – not credit impaired	–	–	9,289
		Loss	Credit-impaired	–	–	1,943
				7,251	8,158	16,264
Other receivables and receivables from payment intermediaries	19	*(Note 2)*	12m ECL	17,811	20,370	16,172
Amounts due from related parties						
– Trade related	20	*(Note 1)*	Lifetime ECL – not credit impaired (provision matrix)	17,279	51,552	93,312
– Non-trade related	20	*(Note 2)*	12m ECL	59,474	1	–
Amounts due from shareholders	25	*(Note 2)*	12m ECL	2	1	–
Pledged bank deposits	22	*(Note 2)*	12m ECL	3,017	3,026	–
Bank balances	22	*(Note 2)*	12m ECL	209,897	511,035	290,665
				314,731	594,143	416,413

Notes:

1. For not credit-impaired trade receivables and trade related balances with related parties, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL by using a provision matrix, grouped by internal credit rating and past due status of respective receivable. In addition, credit-impaired trade receivables, trade receivables with significant balances and trade related balances with related parties are assessed for ECL individually. The loss allowance amounts of the credit-impaired trade receivables and trade related balances with related parties are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future losses.

   As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2018 and 2019 and 30 September 2020 within lifetime ECL (not credit-impaired).

   Internal credit rating

	As at 31 December				**As at 30 September**	
	2018		**2019**		**2020**	
	Average loss rate	**Trade receivables**	**Average loss rate**	**Trade receivables**	**Average loss rate**	**Trade receivables**
		RMB'000		*RMB'000*		*RMB'000*
Low risk	5%	7,251	5%	8,158	5%	5,032

   The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The management of the Group is of the opinion that there is no material change in the observed default rates of its customers throughout the Track Record Period and after considering the forward-looking information, same average loss rate was adopted throughout the Track Record Period. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

   During the year ended 31 December 2018, the Group recognised credit losses allowance of approximately RMB489,000 for trade receivables based on provision matrix. During the year ended 31 December 2019 and the nine months ended 30 September 2020, the Group reversed credit loss allowance of approximately RMB265,000 and RMB264,000 for trade receivables based on provision matrix, respectively.

   The following tables show the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

Trade receivables	**Lifetime ECL (credit-impaired)**	**Lifetime ECL – provision matrix (not credit-impaired)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2017 under IAS 39	–	160	160
Adjustment upon application of IFRS 9 *(Note 3)*	–	608	608
As at 1 January 2018 – restated under IFRS 9	–	768	768
– impairment losses recognised	–	489	489
As at 31 December 2018	–	1,257	1,257
– impairment losses reversed	–	(265)	(265)
As at 31 December 2019	–	992	992
– impairment losses recognised (reversed)	1,943	(264)	1,679
As at 30 September 2020	1,943	728	2,671

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off and is subject to enforcement activities.

Credit losses allowance for trade related balances with related parties as at 31 December 2018 and 2019 and 30 September 2020 was not material, considering the consistently low historical default rate in connection with payments. In addition, the Controlling Shareholders agreed to provide financial support to the related parties to meet in full their obligation as necessary, the probability of default and loss given default are assessed as low.

2. For the purposes of internal credit risk management, the Group has applied the general approach in IFRS 9 to measure the loss allowance at 12m ECL as there is no significant increase in credit risk since initial recognition. The Group determines the expected credit losses for other receivables and non-trade related balances with related parties, pledged bank deposits and bank balances by assessment of probability of default. For the non-trade related balances with related parties, the Group has taken into account the financial support provided by the Controlling Shareholders and considered the probability of default and loss given default are low. During the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, in view of the nature of the balance and historical default rate and forward looking information, the Group considers the provision of impairment allowance for these balances are insignificant.

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at variable rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

The Group

	Weighted average interest rate	Repayable on demand or within 3 months	3 months to 1 year	1 year to 5 year	>5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017							
Trade and other payables	–	229,959	–	–	–	229,959	229,959
Amounts due to related parties	–	271,588	–	–	–	271,588	271,588
Amounts due to shareholders	–	20,000	–	–	–	20,000	20,000
Lease liabilities	4.75	357	1,799	6,104	–	8,260	7,456
		521,904	1,799	6,104	–	529,807	529,003

	Weighted average interest rate	Repayable on demand or within 3 months	3 months to 1 year	1 year to 5 year	>5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018							
Trade and other payables	–	321,276	–	–	–	321,276	321,276
Amounts due to related parties	–	254,004	–	–	–	254,004	254,004
Amounts due to shareholders	–	77,549	–	–	–	77,549	77,549
Lease liabilities	4.75	435	1,315	3,106	–	4,856	4,410
		653,264	1,315	3,106	–	657,685	657,239
At 31 December 2019							
Trade and other payables	–	219,684	–	–	–	219,684	219,684
Amounts due to related parties	–	196,050	–	–	–	196,050	196,050
Amounts due to shareholders	–	207,383	–	–	–	207,383	207,383
Lease liabilities	4.75	940	2,684	7,493	–	11,117	10,105
		624,057	2,684	7,493	–	634,234	633,222
At 30 September 2020							
Trade and other payables	–	126,619	–	–	–	126,619	126,619
Amounts due to related parties	–	129,105	–	–	–	129,105	129,105
Amounts due to shareholders	–	101,783	–	–	–	101,783	101,783
Bank borrowing	2.05	1,550	301,472	–	–	303,022	300,000
Lease liabilities	4.75	805	1,549	5,944	–	8,298	7,599
		359,862	303,021	5,944	–	668,827	665,106

The Company

	Weighted average interest rate	Repayable on demand or within 3 months	3 months to 1 year	1 year to 5 year	>5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018							
Other payables	–	7,901	–	–	–	7,901	7,901
Amount due to a subsidiary	–	7,327	–	–	–	7,327	7,327
		15,228	–	–	–	15,228	15,228

	Weighted average interest rate	Repayable on demand or within 3 months	3 months to 1 year	1 year to 5 year	>5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019							
Other payables	–	24,801	–	–	–	24,801	24,801
Amounts due to shareholders	–	1	–	–	–	1	1
Amount due to a subsidiary	–	8,159	–	–	–	8,159	8,159
		32,961	–	–	–	32,961	32,961
At 30 September 2020							
Other payables	–	32,233	–	–	–	32,233	32,233
Amounts due to shareholders	–	1	–	–	–	1	1
Amount due to a subsidiary	–	11,744	–	–	–	11,744	11,744
		43,978	–	–	–	43,978	43,978

Fair value measurement of financial instruments

Fair values of the Group's financial assets that are measured at fair value on a recurring basis

Certain of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	As at 31 December			As at 30 September	Fair value hierarchy	Valuation technique and key input
	2017	2018	2019	2020		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		
Financial assets classified at FVTPL	–	25,000	–	335,000	Level 2	Quoted value from bank based on expected return with reference to underlying investment which consists mainly money market instruments and fixed-income instruments.

There were no transfer between Level 1 and 2 during the Track Record Period.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Lease liabilities	Amounts due to shareholders	Amounts due to related parties	Accrued issue cost	Interest payable	Borrowing	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	2,718	–	–	–	–	–	2,718
Financing cash flows	(1,628)	–	–	–	–	–	(1,628)
Finance costs	182	–	–	–	–	–	182
New leases entered	6,184	–	–	–	–	–	6,184
Net off with amounts due from shareholders and related parties *(Note)*	–	(50,000)	(30,000)	–	–	–	(80,000)
Dividend declared	–	70,000	30,000	–	–	–	100,000
At 31 December 2017	7,456	20,000	–	–	–	–	27,456
Financing cash flows	(2,103)	(400)	(218,512)	(1,832)	–	–	(222,847)
Finance costs	307	–	–	–	–	–	307
Issue cost accruals	–	–	–	3,807	–	–	3,807
New leases entered/lease modified	(1,250)	–	–	–	–	–	(1,250)
Dividend declared	–	57,949	365,696	–	–	–	423,645
At 31 December 2018	4,410	77,549	147,184	1,975	–	–	231,118
Financing cash flows	(2,688)	–	(220,950)	(207)	–	–	(223,845)
Finance costs	299	–	–	–	–	–	299
Issue cost accruals	–	–	–	4,432	–	–	4,432
New leases entered	8,084	–	–	–	–	–	8,084
Dividend declared	–	91,536	125,140	–	–	–	216,676
Consideration payable arising from Group Reorganisation *(Note 2)*	–	38,298	33,804	–	–	–	72,102
At 31 December 2019	10,105	207,383	85,178	6,200	–	–	308,866
Financing cash flows	(2,820)	(134,970)	(34,786)	(897)	(1,469)	300,000	125,058
Finance costs	314	–	–	–	1,469	–	1,783
Issue cost accruals	–	–	–	2,754	–	–	2,754
Consideration payable arising from Group Reorganisation *(Note 2)*	–	29,370	–	–	–	–	29,370
At 30 September 2020	7,599	101,783	50,392	8,057	–	300,000	467,831

Note: The non-trade balances due from shareholders and related parties amounting to RMB50,000,000 and RMB30,000,000, respectively, were net-off with the non-trade balances due to shareholders and related parties during the year ended 31 December 2017.

32. CAPITAL COMMITMENTS

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Information	32,187	28,044	40,672	18,739

33. RELATED PARTY TRANSACTIONS

(a) Details of the balances with related parties at the end of each reporting period are disclosed in the consolidated statements of financial position and Notes 20 and 25 to the Historical Financial Information. Apart from disclosure elsewhere in the Historical Financial Information, the Group entered into the following transactions with related parties during the Track Record Period:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Sales to related parties *(Note)*					
– Guangzhou Liby Group Company Limited	118,488	112,221	122,815	115,695	132,123
– Guangdong Liby Washing Products Company Limited	73,334	110,415	99,496	83,883	102,020
– Shanghai Liby Shiye Company Limited	26,088	37,538	42,198	36,966	45,633
– Tianjin Liby Product Sales Company Limited	3,009	2,079	2,138	1,814	1,252
– Guilin Liby Rihua Company Limited	652	617	187	187	–
– Tianjin Liwang E-commerce Company Limited	528	34,918	418	347	204
– Guangzhou Liby (Panyu) Company Limited	4,617	6,263	6,796	2,413	4,069
– Xinxiang Liby Shiye Company Limited	8,561	2,792	662	446	386
– Tianjin Liby Rihua Company Limited	3,184	1,495	136	136	4
– Maanshan Liby Rihua Company Limited	2,833	1,078	1,657	1,336	4,836
– Chengdu Liby Shiye Company Limited	–	213	6,030	5,320	7,044
– Nanjing Liby Rihua Company Limited	–	101	4,018	3,032	4,364
– Shanghai New COGI Cosmetic Co., Ltd.	–	–	45	–	–
– Liby Rihua Company Limited	133	861	38	20	265
	241,427	310,591	286,634	251,595	302,200

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Purchase from related parties *(Note)*					
– Guangzhou Liby Group Company Limited	20,145	20,748	4,914	3,069	5,074
– Xinxiang Liby Shiye Company Limited	63,944	40,720	49,674	39,391	35,999
– Guangzhou Liby (Panyu) Company Limited	45,023	40,148	38,244	28,621	31,612
– Maanshan Liby Rihua Company Limited	31,471	27,519	42,503	31,741	42,518
– Siping Liby Rihua Company Limited	15,008	10,097	12,071	10,624	13,435
– Tianjin Liby Rihua Company Limited	14,347	7,453	8,281	6,057	5,379
– Liby Rihua Company Limited	1,285	5,284	48,215	43,675	28,880
– Shanghai New COGI Cosmetic Co., Ltd.	–	–	3,037	1,517	166
– Sichuan Liby Shiye Company Limited	–	–	–	–	2,896
	191,223	151,969	206,939	164,695	165,959
Interest income *(Note)*					
– Shanghai BKDR Commercial Factoring Company Limited	–	8,674	–	–	–
Advertising service expense *(Note)*					
– Guangdong Lingjuli Advertising Company Limited	24,609	6,084	–	–	–
– Guangzhou Liby Group Company Limited	8,156	–	–	–	–
– Guangzhou Megahive Media Company Limited	563	33,394	34,215	33,186	8,873
– Shanghai New COGI Cosmetic Co., Ltd.	–	–	–	–	387
	33,328	39,478	34,215	33,186	9,260
Sales support service expense *(Note)*					
– Guangzhou Liby Group Company Limited	89,435	34,241	35,233	31,837	17,759
Warehousing service expense *(Note)*					
– Guangzhou Liby Group Company Limited	8,189	7,831	8,189	7,400	8,535
IT service expense *(Note)*					
– Guangzhou Liby Group Company Limited	2,314	2,630	2,314	1,736	1,733

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Expenses relating to short-term leases *(Note)*					
– Shanghai New COGI Cosmetic Co., Ltd.	95	71	471	471	382
– Guangzhou Liby (Panyu) Company Limited	240	240	160	160	–
– Xinxiang Liby Shiye Company Limited	–	–	–	–	685
	335	311	631	631	1,067
Payment of lease liabilities *(Note)*					
– Guangzhou Liby Group Company Limited	–	955	1,439	1,072	1,029
– Guangzhou Liby (Panyu) Company Limited	–	–	675	–	1,529
	–	955	2,114	1,072	2,558
Property management expense *(Note)*					
– Guangzhou Zhanze Property Management Company Limited	–	–	–	–	567

Note: These entities have been identified as related parties of the Group as they are under the common control by the Controlling Shareholders.

Guangzhou BKDR Commercial Factoring Company Limited and Shanghai BKDR Commercial Factoring Company Limited (collectively as "Baokai Daorong"), are entities controlled by the Controlling Shareholders, which are primarily engaged in the business of providing trade financing services. During the Track Record Period, the Group entered into tripartite agreements with Baokai Daorong and the customers of the Group, in which Baokai Daorong granted cash advances to the customers of the Group based on the purchase orders made to the Group and the customers of the Group repay principals and interests to Baokai Daorong on the cash advances financed by Baokai Daorong. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020, Baokai Daorong provided financing to certain customers of the Group amounted to approximately RMB248,160,000, RMB80,453,000, RMB378,161,000, RMB194,756,000 (unaudited) and RMB16,012,000, respectively, under this arrangement.

During the year ended 31 December 2019, an entity controlled by the Controlling Shareholders transferred the trademark in relation to the personal care product to the Group at nil consideration.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the Track Record Period is set out in Note 12.

34. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of subsidiary	Place and date of establishment/ incorporations	Registered capital/issued and fully paid-up share capital	Equity interest attributable to the Company					Principal activities
			at 31 December			at 30 September	at the date of this report	
			2017	2018	2019	2020		
Directly held:								
Cheerwin Group BVI *(Note a)*	BVI 27 March 2018	USD100	–	100%	100%	100%	100%	Investment holding
Indirectly held:								
Cheerwin Group HK *(Note b)*	HK 13 April 2018	HK$100	–	100%	100%	100%	100%	Investment holding
Cheerwin Global HK *(Note b)*	HK 13 April 2018	HK$100	–	100%	100%	100%	100%	Sales of daily cleaning products
Guangzhou Cheerwin *(Note a)*	The PRC 19 October 2018	RMB30,000,000	–	100%	95%	100%	100%	Investment holding
Cheerwin Biotechnology *(Note c)*	The PRC 17 December 2010	RMB5,000,000	100%	100%	100%	100%	100%	Sales of insecticide and daily cleaning products
Panyu Cheerwin *(Note c)*	The PRC 26 July 2011	RMB30,000,000	100%	100%	100%	100%	100%	Manufacture and sales of insecticide products
Anfu Cheerwin *(Note c)*	The PRC 11 July 2006	RMB30,000,000	100%	100%	100%	100%	100%	Manufacture and sales of insecticide products
Guangzhou Tongli *(Note c)*	The PRC 3 December 1992	HKD1,400,000	100%	100%	100%	100%	100%	Sales of plastic daily cleaning products
Guangzhou Yuncheng *(Note d)*	The PRC 6 February 2018	RMB5,000,000	–	100%	100%	100%	100%	Sales of daily pet necessity
Leda Automobile *(Note d)*	The PRC 5 February 2018	RMB5,000,000	–	100%	100%	100%	100%	Sales of auto accessories
Shanghai Runzhisu *(Note d)*	The PRC 19 November 2018	RMB1,000,000	–	100%	100%	100%	100%	Sales of personal care products
Guangzhou Yuntuo *(Note d)*	The PRC 14 November 2018	RMB1,000,000	–	100%	100%	100%	100%	Sales of daily cleaning products

Name of subsidiary	Place and date of establishment/ incorporations	Registered capital/issued and fully paid-up share capital	Equity interest attributable to the Company at 31 December 2017	2018	2019	at 30 September 2020	at the date of this report	Principal activities
Shanghai Cheerwin *(Note a)*	The PRC 29 July 2019	RMB5,000,000	–	–	100%	100%	100%	Sales of personal care products
Bestwin Household Products Company Limited *(Note b)*	Vietnam 24 June 2020	USD510,000	–	–	–	51%	51%	Manufacture and sales of insecticide products

Notes:

(a) No statutory financial statements have been prepared for this company as it was not subject to statutory audit requirements under the relevant rules and regulations for the jurisdiction of incorporation and establishment.

(b) No statutory audited financial statements for these companies have been prepared since their incorporation.

(c) The statutory financial statements of these subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC. The statutory financial statements for the year ended 31 December 2017 were audited by the following certified public accountants registered in the PRC:

Subsidiaries	Year ended 31 December 2017
Cheerwin Biotechnology	立信會計師事務所(特殊普通合夥)
Panyu Cheerwin	廣州市華穗會計師事務所有限公司
Anfu Cheerwin	新干縣金信聯合會計師事務所
Guangzhou Tongli	廣州萬隆康正會計師事務所有限公司

The statutory financial statements for the years ended 31 December 2018 and 2019 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

(d) The statutory financial statements of these subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP for the year ended 31 December 2018 and 2019.

The Company's unlisted investment in a subsidiary is stated at cost.

All companies now comprising the Group have adopted 31 December as their financial year end.

None of the subsidiaries had issued any debt securities at the end of each reporting period.

35. RESERVE OF THE COMPANY

	Share premium	Capital reserves	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	
At 15 April 2018 (date of incorporation)	–	–	–	–
Loss and other comprehensive expense for the year	–	–	(11,421)	(11,421)
At 31 December 2018	–	–	(11,421)	(11,421)
Loss and other comprehensive expense for the year	–	–	(13,300)	(13,300)
At 31 December 2019	–	–	(24,721)	(24,721)
Loss and other comprehensive expense for the period	–	–	(8,262)	(8,262)
Issue of shares of the Company *(Note 2 (xviii))*	1,550	–	–	1,550
Capital injection from the Controlling shareholders	–	29,716	–	29,716
At 30 September 2020	1,550	29,716	(32,983)	(1,717)

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 September 2020.

37. COVID-19 PANDEMIC

Following the outbreak of the 2019 Novel Coronavirus ("COVID-19") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, including certain level of restrictions and controls over the travelling of people and traffic arrangements. The Group experienced certain delay in shipment schedules of raw materials and finished goods in February and March 2020, and temporarily affected its manufacturing activities and productivities. The Group's manufacturing activities have been fully resumed as of the date of this report.

As the situation remains fluid, the directors of the Company considered that the financial effects of COVID-19 on the Group's future financial statements cannot be reasonably estimated. Given the Group's business might be affected should the situation in the PRC (where the Group operates) deteriorates and the directors of the Company will continue to closely monitor in this regard.

38. SUBSEQUENT EVENTS

On 19 February 2021, each issued and unissued share of par value US$1.00 each was sub-divided into 5,000,000 shares of par value US$0.0000002 each. Upon the subdivision, the authorized share capital of the Company shall be changed from US$50,000 divided into 50,000 shares of a par value of US$1.00 each to US$50,000 divided into 250,000,000,000 shares of a par value of US$0.0000002 each and the issued share capital of the Company became US$200 divided into 1,000,000,000 shares of a par value of US$0.0000002 each.

The information set out below does not form part of the Accountants' Report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included in this prospectus for information purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountants' Report as set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 or any future dates.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 as shown in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	Note 1	*Note 2*		*Note 3*	*Note 4*
Based on an Offer Price of HK$7.8 per Offer Share	229,185	2,058,888	2,288,073	1.72	2.07
Based on an Offer Price of HK$9.2 per Offer Share	229,185	2,431,936	2,661,121	2.00	2.40

Notes:

(1) The amount of audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 was extracted from the Accountants' Report of the Group set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 333,333,500 Offer Shares at the indicative Offer Price of lower limit and upper limit of HK$7.8 and HK$9.2 per Share, respectively, after deduction of underwriting fees and commissions and other listing related expenses payable by the Company (excluding listing expenses charged to profit or loss up to 30 September 2020) and without taking into account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandate. For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in HK$ has been converted into RMB at the rate of HK$1 to RMB0.8306, which was the exchange rate prevailing on 10 February 2021 with reference to the rate published by the People's Bank of China. No representation is made that the HK$ denominated amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis of 1,333,333,500 Shares in total, immediately following Group Reorganisation and assuming that the Global Offering of 333,333,500 new shares had been completed on 30 September 2020. It does not take into account any shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandate.

(4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted from RMB to HK$ at the rate of RMB1 to HK$1.2039. No representation is made that the RMB denominated amounts have been, would have been or may be converted to HK$, or vice versa, at that rate or at any other rates or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2020.

B. UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

The following unaudited pro forma estimated basic earnings per Share has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2020. The unaudited pro forma estimated earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it will not give a true picture to the Group's earnings per share for the year ended 31 December 2020 or any future period.

Estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2020[1]	Not less than RMB210.0 million
Unaudited pro forma estimated earnings per Share for the year ended 31 December 2020[2]	Not less than RMB15.82 cents

Notes:

1. The bases on which the above estimate for the year ended 31 December 2020 has been prepared are summarised in Appendix IIB to this prospectus. The estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2020 is based on the audited consolidated results of the Group for the nine months ended 30 September 2020 and the unaudited consolidated results based on the management accounts of the Group for the three months ended 31 December 2020.

2. The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2020 taking into account the number of shares that are outstanding during the year ended 31 December 2020 and on the assumption that the Reorganisation, share subdivision as described in Appendix IV to the Prospectus and Global Offering had been completed on 1 January 2020, resulted in a weighted average of 1,327,641,332 Shares for the year ended 31 December 2020. The calculation of the estimated earnings per Share does not take into account of any shares which may be allotted and issued pursuant to the exercise of Over-allotment Option or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandates.

C. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Cheerwin Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Cheerwin Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 September 2020 and the unaudited pro forma estimated earnings per share for the year ended 31 December 2020 and related notes as set out on pages IIA-1 to IIA-3 of Appendix IIA to the prospectus issued by the Company dated 26 February 2021 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IIA-1 to IIA-3 of Appendix IIA to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's financial position as at 30 September 2020 and the Group's estimated earnings per share for the year ended 31 December 2020 as if the Global Offering had taken place at 30 September 2020 and 1 January 2020 respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 December 2019 and the nine months ended 30 September 2020, on which an accountants' report set out in Appendix I to the Prospectus has been published and information about the estimate of the consolidated profit of the Group attributable to owners of the Company for the year ended 31 December 2020, on which no auditor's report or review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2020 or 1 January 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 February 2021

Our estimate of the consolidated profit for the year ended December 31, 2020 is set out in "Financial Information – Profit estimate for the year ended December 31, 2020" of this prospectus.

(A) PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2020

Our Directors have prepared the estimate of the consolidated profits of our Group for the year ended December 31, 2020 based on the audited consolidated results of our Group for the nine months ended September 30, 2020 and the unaudited consolidated results based on the management accounts for our Group for three months ended December 31, 2020. The estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by our Group as summarized in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Profit estimate for the year ended December 31, 2020

Estimated consolidated profit attributable to owners of our Company	Not less than RMB210.0 million

(B) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for the inclusion in this prospectus, received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in relation to our Group's profit estimate for the year ended December 31, 2020.

Deloitte. 德勤

26 February 2021

The Directors
Cheerwin Group Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Morgan Stanley Asia Limited
Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Dear Sirs,

Cheerwin Group Limited (the "**Company**")

Profit Estimate for Year Ended 31 December 2020

We refer to the estimate of the consolidated profit of the Company and its subsidiaries (collectively referred to as the "**Group**") attributable to owners of the Company for the year ended 31 December 2020 (the "**Profit Estimate**") set forth in the section headed "Financial Information" in the prospectus of the Company dated 26 February 2021 (the "**Prospectus**").

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Group for the nine months ended 30 September 2020 and the unaudited consolidated results based on the management accounts of the Group for the three months ended 31 December 2020.

The Company's directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix IIB of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 26 February 2021, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE JOINT SPONSORS

The following is the text of a letter, prepared for inclusion in this prospectus by the Joint Sponsors in connection with the estimate of our consolidated profit attributable to equity shareholders of the Company for the year ended December 31, 2020.

Morgan Stanley

Morgan Stanley Asia Limited
Level 46, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong

CICC 中金公司

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Centre, 1 Harbour View Street,
Central, Hong Kong

The Board of Directors
Cheerwin Group Limited

February 26, 2021

Dear Sirs,

We refer to the estimate of the consolidated profits attributable to the owners of Cheerwin Group Limited (the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**") for the year ended December 31, 2020 (the "**Profit Estimate**"), for which the directors of the Company (the "**Directors**") are solely responsible, as set forth in the section headed "Financial Information – Profit Estimate For The Year Ended December 31, 2020" in the prospectus of the Company dated February 26, 2021 (the "**Prospectus**").

The Profit Estimate has been prepared by the Directors based on (i) the audited consolidated results of the Group for the nine months ended September 30, 2020, and (ii) the unaudited consolidated results based on the management accounts of the Group for the three months ended December 31, 2020.

We have discussed with you the bases and assumptions made by the Directors as set out in Appendix IIB to the Prospectus, upon which the Profit Estimate has been made. We have also considered the letter dated February 26, 2021 addressed to you and us from the Company's reporting accountants, Deloitte Touche Tohmatsu, regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Profit Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
Morgan Stanley Asia Limited
Tommy Hsu
Managing Director

For and on behalf of
China International Capital Corporation Hong Kong Securities Limited
Sulan Yang
Managing Director

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 April 2018 under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Act"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and its Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on February 19, 2021 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such

Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act; (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 5 November 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("ES Act") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on April 11, 2018. We have established a principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on September 16, 2020. Ms. Chen Danxia and Ms. Leung Shui Bing have been appointed as the authorized representatives of our Company for the acceptance of service of process and notices in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in "Summary of the Constitution of Our Company and Cayman Company Law" in Appendix III to this prospectus.

2. Changes in the Share Capital of Our Company

As of the date of incorporation of our Company, our Company had an authorized share capital of US$50,000, divided into 50,000 shares of US$1.00 each.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

- On April 15, 2018, one share of a par value of US$1.00 was allotted and issued to the initial subscriber at par value, which was transferred to Ms. Ma. On the same day, our Company allotted and issued 34 shares and 65 shares, each with a par value of US$1.00, at par to Ms. Ma and Ms. Li, respectively;

- On June 24, 2020, our Company allotted and issued an aggregate of 100 new shares, each with a par value of US$1.00, increasing the issued share capital from US$100 to US$200. Among them, 98 shares were issued at par to Cheerwin Global BVI, and 2 shares were issued to Bestart BVI at a consideration of RMB1.55 million.

On February 19, 2021, each issued and unissued share of a par value of US$1.00 each was sub-divided into 5,000,000 Shares of a par value of US$0.0000002 each. Following the subdivision, the authorized share capital of the Company became US$50,000 divided into 250,000,000,000 shares of a par value of US$0.0000002 each.

Immediately following the completion of the Global Offering but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, the issued share capital of our Company will be US$266.6667, divided into 1,333,333,500 shares of US$0.0000002 each, all fully paid or credited as fully paid and 248,666,666,500 shares of US$0.0000002 each will remain unissued.

Save as disclosed above, there has been no alteration in the share capital of our Company since our incorporation.

3. Resolutions in Writing of the Shareholders of Our Company Passed on February 19, 2021

Pursuant to the written resolutions passed by the Shareholders on February 19, 2021:

(a) our Company adopted the Memorandum of Association with immediate effect and conditionally adopted the Articles of Association with effect from the Listing Date;

(b) each issued and unissued shares of par value of US$1.00 each was subdivided into 5,000,000 Shares of US$0.0000002 each, and following which, the authorized share capital of our Company became US$50,000 divided into 250,000,000,000 shares of US$0.0000002 each;

(c) conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), (2) the Offer Price being fixed on the Price Determination Date and (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

   (i) the Global Offering was approved and the Directors were authorized to allot and issue the new Shares pursuant to the Global Offering;

   (ii) the granting of the Over-allotment Option was approved;

   (iii) the proposed Listing was approved and the Directors were authorized to implement the Listing;

   (iv) a general unconditional mandate was granted to the Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to (a) a rights issue, (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, or (c) the exercise of any subscription or conversion rights attaching to any warrants or securities which are convertible into Shares or in issue prior to the date of passing the relevant resolution or (d) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of (1) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and (2) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (vi) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting and the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "**Applicable Period**");

(v) a general unconditional mandate was granted to the Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose Shares with a total nominal value of not more than 10% of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect during the Applicable Period; and

(vi) the general unconditional mandate mentioned in paragraph (v) above be extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the Company's share capital in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option);

4. Our Corporate Reorganization

The companies comprising the Group underwent the Reorganization in preparation for the Listing. Please see the section headed "History, Reorganization and Corporate Structure" for further details.

5. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants' Report, we do not have any other subsidiaries.

Save for the alteration disclosed in the section headed "History, Reorganization and corporate structure" in this prospectus, there is no other alteration in the share capital or registered capital of our subsidiaries which took place within the two years immediately preceding the date of this prospectus.

6. Repurchases of Our Own Securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on February 19, 2021, a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Cayman Companies Act or by our Articles of Association or any other applicable laws of the Cayman Islands to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the Listing Rules. As a matter of Cayman law, any repurchases by our Company may be made out of profits of our Company, out of the credit standing in the share premium account of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the Articles and subject to the provisions of the Cayman Companies Act, out of capital. Any premium payable on the repurchase must be provided for out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if so authorized by the Articles and subject to the Cayman Companies Act, out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and cancelled and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for Repurchases

The Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of Repurchases

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association of our Company and the Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company, out of the credit standing in the share premium account of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles of Association subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Act, out of capital.

There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of 1,333,333,500 Shares in issue immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, could accordingly result in up to approximately 133,333,350 Shares being repurchased by our Company during the period prior to:

(i) the conclusion of our next annual general meeting; or

(ii) the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(iii) the date when the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) An equity transfer agreement dated October 22, 2019 entered into among Mr. KX Chen, Mr. KC Chen, Tianjin Aotelai Investment Corporation (Limited Partnership) (天津澳特萊投資合夥企業(有限合夥)) ("**Tianjin Aotelai**"), Guangzhou Cheerwin and Cheerwin Biotechnology pursuant to which Mr. KX Chen, Mr. KC Chen, Tianjin Aotelai agreed to transfer their respective 6.5%, 3.5% and 90.0% equity interest in Cheerwin Biotechnology to Guangzhou Cheerwin at a consideration of RMB0.51 million, RMB0.27 million and RMB7.02 million, respectively;

(b) An equity transfer agreement dated November 20, 2019 entered into among Guangzhou Cheerwin, Cheerwin Biotechnology and Guangzhou Yuncheng (formerly known as Guangzhou Lechong Pet Supplies Company Limited (廣州樂寵寵物用品有限公司)), pursuant to which Cheerwin Biotechnology agreed to transfer its 100% equity interest in Guangzhou Yuncheng to Guangzhou Cheerwin at nil consideration;

(c) An equity transfer agreement dated November 20, 2019 entered into among Guangzhou Cheerwin, Cheerwin Biotechnology and Leda Automobile, pursuant to which Cheerwin Biotechnology agreed to transfer its 100% equity interest in Leda Automobile to Guangzhou Cheerwin at nil consideration;

(d) An equity transfer agreement dated November 25, 2019 entered into among Guangzhou Cheerwin, Cheerwin Biotechnology and Guangzhou Tongli, pursuant to which Cheerwin Biotechnology agreed to transfer its 100% equity interest in Guangzhou Tongli to Guangzhou Cheerwin at a consideration of RMB1.83 million;

(e) An equity transfer agreement dated December 9, 2019 entered into among Guangzhou Liby, Tianjin Aotelai, Cheerwin Biotechnology and Panyu Cheerwin, pursuant to which Guangzhou Liby and Tianjin Aotelai agreed to transfer their respective 51.0% and 1.0% equity interest in Panyu Cheerwin to Cheerwin Biotechnology at a consideration of RMB17.70 million and RMB0.35 million, respectively;

(f) An equity transfer agreement dated December 14, 2019 entered into among Mr. KX Chen, Mr. KC Chen, Faguo Kangliang Cosmetics Company Limited (法國康亮化妝品有限公司) ("**Faguo Kangliang**"), Cheerwin Biotechnology and Anfu Cheerwin, pursuant to which Mr. KX Chen, Mr. KC Chen and Faguo Kangliang agreed to transfer their respective 45.5%, 24.5% and 30.0% equity interest in Anfu Cheerwin to Cheerwin Biotechnology at a consideration of RMB24.42 million, RMB13.15 million and RMB16.10 million, respectively;

(g) An equity transfer agreement dated June 10, 2020 entered into among Mr. KX Chen, Mr. KC Chen, Bestart (Hong Kong) Investments Company Limited ("**Bestart HK**"), Cheerwin Group HK (formerly known as Cheerwin Group Limited (朝雲集團有限公司)) and Guangzhou Cheerwin, pursuant to which Mr. KX Chen, Mr. KC Chen and Bestart HK agreed to transfer their respective 61.75%, 33.25% and 5.0% equity interest in Guangzhou Cheerwin to Cheerwin Group HK at a consideration of RMB19.10 million, RMB10.28 million and RMB1.55 million, respectively;

(h) the Deed of Indemnity; and

(i) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of the Group

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Expiry date
1	CHEERWIN	3, 5, 10, 11, 16, 21, 24, 25, 37	Guangzhou Cheerwin	Hong Kong	304934773	May 21, 2029
2	朝云	1	Guangzhou Cheerwin	PRC	34771299	September 27, 2029
		5			34772669	
		6			34754031	
		11			34768118	
		18			34770566	
		28			34765067	
3	朝云	37	Guangzhou Cheerwin	PRC	34769368	June 27, 2029
		7			34768086	
		22			34767190	
		40			34765115	
		15			34765087	
		2			34764577	
		8			34761666	
		27			34761156	
		45			34761021	
		4			34758116	
		39			34756472	
		17			34754364	
		13			34754314	
		24			34747474	
		23			34747458	
4		3	Cheerwin Biotechnology	PRC	17355539	September 6, 2026

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Expiry date
5		5	Cheerwin Biotechnology	PRC	17355034	August 13, 2026
6	威王	5	Cheerwin Biotechnology	PRC	16140833	June 27, 2026
7	威王 vewin	5	Cheerwin Biotechnology	PRC	16140834	June 27, 2026
8	威王 vewin	21	Cheerwin Biotechnology	PRC	16140832	November 27, 2026
9	威王 vewin	7	Cheerwin Biotechnology	PRC	14852960	November 13, 2025
10	威王	21	Cheerwin Biotechnology	PRC	14852958	September 13, 2025
11	威王 vewin	35	Cheerwin Biotechnology	PRC	13254933	March 6, 2025
12	威王 vewin	3	Cheerwin Biotechnology	PRC	8977889	March 13, 2022

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Expiry date
13	威王	21	Cheerwin Biotechnology	PRC	13846011	July 27, 2025
14	威王	16	Cheerwin Biotechnology	PRC	3678052	February 6, 2026
15	威王	21	Cheerwin Biotechnology	PRC	3678051	April 13, 2026
16	威王	24	Cheerwin Biotechnology	PRC	3678049	December 20, 2025
17	CYRINE 茜琳	3	Cheerwin Biotechnology	PRC	12263563	September 6, 2024
18	CYRINE	3	Cheerwin Biotechnology	PRC	14251066	May 6, 2025
19	西兰	3	Cheerwin Biotechnology	PRC	7441274	September 20, 2030
20	西兰	5	Cheerwin Biotechnology	PRC	7441273	October 20, 2030
21	西兰	5	Cheerwin Biotechnology	PRC	4693317	October 13, 2028
		3			4693316	
22	西兰	24	Cheerwin Biotechnology	PRC	1075379	August 13, 2027

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Expiry date
23	西兰	26	Cheerwin Biotechnology	PRC	1045867	July 6, 2027
		20			1045575	
24	西兰	29, 30	Cheerwin Biotechnology	PRC	1041893	June 27, 2027
		28			1039929	
		5			1038561	
25	西兰	21	Cheerwin Biotechnology	PRC	1033800	June 20, 2027
26	西兰	34	Cheerwin Biotechnology	PRC	1030862	June 13, 2027
		32			1028833	
		18			1026666	
27	西兰	31	Cheerwin Biotechnology	PRC	1006909	May 13, 2027
28	西兰	16	Cheerwin Biotechnology	PRC	1050882	July 13, 2027
29	超威	2	Cheerwin Biotechnology	PRC	4306143	October 27, 2027
30		5	Cheerwin Biotechnology	PRC	25363186	July 13, 2028

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Expiry date
31	贝贝健	21	Cheerwin Biotechnology	PRC	13112352	March 27, 2025
32	智通精灵	28, 21, 18, 20, 9, 16, 3, 22, 14, 7, 10, 27, 11, 5, 42, 35, 24, 8, 25, 6, 26	Guangzhou Tongli	PRC	39408402	May 6, 2030
33	家居ホーム	22	Guangzhou Tongli	PRC	30408223	May 13, 2029
		16			30394175	
34	家居ホーム	18	Guangzhou Tongli	PRC	20408215	March 13, 2029
35	家居ホーム	21	Guangzhou Tongli	PRC	18276269	December 13, 2026
36	CARBONWIN	11	Leda Automobile	PRC	27988853	November 13, 2028
37	CARBONWIN	16	Leda Automobile	PRC	27983911	November 20, 2028
38		11	Leda Automobile	PRC	27988398	November 13, 2028
		9			27988012	
		3			27987995	
		1			27987973	

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Expiry date
39	卡铂威	2	Leda Automobile	PRC	27988758	November 13, 2028
		37			27985465	
		35			27985458	
		9			27983990	
		27			27983839	
		17			27982360	
		4			27982130	
		1			27982115	
		42			27978512	
		24			27978481	
40	倔强的尾巴	5	Guangzhou Yuncheng	PRC	38604129	April 6, 2030
41	倔强的尾巴	3	Guangzhou Yuncheng	PRC	38598209	February 27, 2030
		20			38599331	
42	小熊邦尼	16	Guangzhou Yuncheng	PRC	37298599	February 20, 2030
43	小熊邦尼	9	Guangzhou Yuncheng	PRC	37298592	February 6, 2030
44	小熊邦尼	31	Guangzhou Yuncheng	PRC	37287857	January 27, 2030
45	芬芳邦尼	3	Guangzhou Yuncheng	PRC	37297492	November 20, 2029
		5			37292045	
46	净王邦尼	3	Guangzhou Yuncheng	PRC	37277131	December 6, 2029
47	邦尼优护	16	Guangzhou Yuncheng	PRC	35750844	December 6, 2029
48	Bubble Buddies	20	Guangzhou Yuncheng	PRC	35749381	November 20, 2029
		28			35733995	
		18			35742504	

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Expiry date
49	Bubble Buddies	16	Guangzhou Yuncheng	PRC	35746570	November 27, 2029
		9			35732475	
50	Bubble Buddies	3	Guangzhou Yuncheng	PRC	35741702	December 13, 2029
		5			35755286	
51	邦尼优护	18	Guangzhou Yuncheng	PRC	35741056	September 6, 2029
52	邦尼优护	5	Guangzhou Yuncheng	PRC	35741038	November 27, 2029
		28			35736001	
53	邦尼优护	9	Guangzhou Yuncheng	PRC	35732060	October 6, 2029
54	德是	20	Guangzhou Yuncheng	PRC	38599949	March 6, 2030
55	DUX	31	Guangzhou Yuncheng	PRC	20098109	July 13, 2027
56	DUX	28	Guangzhou Yuncheng	PRC	20098029	June 27, 2028
57	DUX	9	Guangzhou Yuncheng	PRC	38599962	August 9, 2030
58	DUX	28	Guangzhou Yuncheng	PRC	38599958	August 13, 2030
59	德是	9	Guangzhou Yuncheng	PRC	38590405	August 27, 2030

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Expiry date
60	paleries	3	Guangzhou Yuntuo	PRC	12128555	July 27, 2024
		5			12128554	
61	倍乐思	3	Guangzhou Yuntuo	PRC	11978735	June 20, 2024
		5			11978734	
62	RIKISO	28	Shanghai Runzhisu	PRC	34370690	July 27, 2029
		14			34366878	
63	RIKISO	35	Shanghai Runzhisu	PRC	33338818	November 13, 2029
64	RIKISO	16	Shanghai Runzhisu	PRC	33346026	May 13, 2029
		5			33339299	
		44			33326351	
		3			33325812	
65	丸子ママ	18	Guangzhou Cheerwin	PRC	44340570	December 6, 2030
66	丸子妈妈	18	Guangzhou Cheerwin	PRC	44340560	October 20, 2030
		22			44335735	October 13, 2030
		24			44326953	
		5			44322882	
67	超威	1	Cheerwin Biotechnology	PRC	4306144	February 20, 2028
68	超威	17	Cheerwin Biotechnology	PRC	4306132	October 27, 2027
69	超威	4	Cheerwin Biotechnology	PRC	4306142	December 27, 2027

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Expiry date
70	超威	6	Cheerwin Biotechnology	PRC	4306141	March 20, 2027
		7			4306140	
		8			4306139	
		10			4306138	
		11			4306137	
71	超威	13	Cheerwin Biotechnology	PRC	4306135	June 27, 2026
72	超威	14	Cheerwin Biotechnology	PRC	4306134	October 20, 2027
		15			4306133	
73	超威	16	Cheerwin Biotechnology	PRC	3512107	February 13, 2025
74	超威	19	Cheerwin Biotechnology	PRC	4306130	October 27, 2027
		20			4306129	
75	超威	18	Cheerwin Biotechnology	PRC	4306131	May 27, 2028
		22			4306128	
76	超威	23	Cheerwin Biotechnology	PRC	4306127	April 6, 2029
77	超威	24	Cheerwin Biotechnology	PRC	3678050	February 6, 2026
78	超威	26	Cheerwin Biotechnology	PRC	4306126	August 6, 2028

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Expiry date
79	超威	27	Cheerwin Biotechnology	PRC	4306124	May 27, 2028
		28			4306123	
80	超威	29	Cheerwin Biotechnology	PRC	4306122	March 20, 2027
81	超威	30	Cheerwin Biotechnology	PRC	4306121	June 6, 2027
		31			4306396	
		32			4306395	
82	超威	33	Cheerwin Biotechnology	PRC	4306394	March 6, 2027
		34			4306393	
83	超威	34	Cheerwin Biotechnology	PRC	4193300	October 27, 2026
		37			4306391	
84	超威	38	Cheerwin Biotechnology	PRC	4306390	October 27, 2026
		39			4306389	
85	超威	40	Cheerwin Biotechnology	PRC	4306388	April 20, 2028
86	超威	42	Cheerwin Biotechnology	PRC	4306367	June 13, 2028
87	超威	43	Cheerwin Biotechnology	PRC	4306368	March 28, 2028

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Expiry date
88	超威	44	Cheerwin Biotechnology	PRC	4306386	March 27, 2028
		41			4306387	
		45			4306385	
		36			4306392	
89	超威 SUPERB	3	Guangzhou Cheerwin	PRC	3553420	March 27, 2028
90	超威	5	Guangzhou Cheerwin	PRC	3512104	March 27, 2025
91	超威 SUPERB	5	Guangzhou Cheerwin	PRC	3553419	June 27, 2025
92	超威	21	Guangzhou Cheerwin	PRC	3512106	March 20, 2026
93	超威	35	Guangzhou Cheerwin	PRC	3512105	November 13, 2024
94	超威	9	Guangzhou Cheerwin	PRC	9809020	May 27, 2023
95	SUPERB	3	Guangzhou Cheerwin	PRC	3553418	September 27, 2025
96	SUPERB	5	Guangzhou Cheerwin	PRC	3553417	July 27, 2025
97	SUPERB	5	Guangzhou Cheerwin	PRC	12438993	November 13, 2024

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Expiry date
98		5	Guangzhou Cheerwin	PRC	3787213	May 27, 2026
99		5	Guangzhou Cheerwin	PRC	3891945	January 6, 2027
100		5	Guangzhou Cheerwin	PRC	4814263	March 20, 2029
101		9	Guangzhou Cheerwin	PRC	3787212	December 27, 2025
102		3	Guangzhou Cheerwin	PRC	17058453	February 27, 2028
103		3	Guangzhou Cheerwin	PRC	34994960	August 6, 2029
104		5	Guangzhou Cheerwin	PRC	7177014	August 13, 2030
105		5	Guangzhou Cheerwin	PRC	17058225	October 27, 2026
106		21	Guangzhou Cheerwin	PRC	18602760	August 20, 2028

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Expiry date
107	超威 SUPERB	21	Guangzhou Cheerwin	PRC	21223447	September 13, 2028
108	超威 SUPERB	21	Guangzhou Cheerwin	PRC	13254931	July 27, 2025
109	超威 SUPERB	5	Guangzhou Cheerwin	PRC	21221884	November 6, 2027
110	超威 SUPERB	5	Guangzhou Cheerwin	PRC	35004880	August 6, 2029
111	贝贝健	5	Guangzhou Cheerwin	PRC	7883667	February 27, 2031
112	超威 贝贝健	5	Guangzhou Cheerwin	PRC	8593105	September 13, 2022
113	超威 贝贝健	5	Guangzhou Cheerwin	PRC	8593106	September 13, 2022
114	贝贝健	5	Guangzhou Cheerwin	PRC	10574928	July 13, 2023

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Expiry date
115	贝贝健	5	Guangzhou Cheerwin	PRC	18131371	January 27, 2028
116	贝贝健	5	Guangzhou Cheerwin	PRC	17058314A	August 6, 2026
117	贝贝健	5	Guangzhou Cheerwin	PRC	34999317	August 6, 2029
118	超威 Cheerwin	21	Guangzhou Cheerwin	PRC	13974031	April 6, 2026
119	超威 Cheerwin	35	Guangzhou Cheerwin	PRC	13974032	June 13, 2025
120	超威 Cheerwin	5	Guangzhou Cheerwin	PRC	34926989	July 20, 2029
121	超威 Cheerwin	5	Guangzhou Cheerwin	PRC	13974034	July 27, 2025
122	超威 Cheerwin	3	Guangzhou Cheerwin	PRC	34934052	December 6, 2029
123	超威 Cheerwin	3	Guangzhou Cheerwin	PRC	13974033	August 27, 2025

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Expiry date
124	CHEERWIN	21	Guangzhou Cheerwin	PRC	34572507	July 27, 2029
		23			34565373	
		26			34589965	
		33			34572203	
		35			34574649	
		37			34585053	
125	CHEERWIN	40	Guangzhou Cheerwin	PRC	34585060	August 6, 2029
		43			34568888	
		13			34582298	
		3			34583713	

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which are material to our business:

No.	Trademark	Type and class	Name of applicant	Place of application	Application number	Application date
1	vewin 威王	3	Cheerwin Biotechnology	PRC	49841663	September 17, 2020
		5			49848039	
		16			49823258	
		21			49833608	
		24			49835235	
		35			49843707	
2	vewin 威王	3	Cheerwin Biotechnology	PRC	49835179	September 17, 2020
		5			49848029	
		16			49836802	
		21			49842022	
		24			49820635	
		35			49817421	
3	倔强的尾巴	5	Guangzhou Yuncheng	PRC	50658475	October 23, 2020

No.	Trademark	Type and class	Name of applicant	Place of application	Application number	Application date
4		9	Guangzhou Yuncheng	PRC	50115434	September 27, 2020
5		35	Guangzhou Yuncheng	PRC	50115207	September 27, 2020
6		35	Guangzhou Yuncheng	PRC	50115197	September 27, 2020
7		16	Guangzhou Yuncheng	PRC	50114120	September 27, 2020
8		31	Guangzhou Yuncheng	PRC	50111924	September 27, 2020
9		16	Guangzhou Yuncheng	PRC	50110410	September 27, 2020
10		18	Guangzhou Yuncheng	PRC	50109154	September 27, 2020
11		3	Guangzhou Yuncheng	PRC	50109136	September 27, 2020
12		18	Guangzhou Yuncheng	PRC	50107860	September 27, 2020
13		35	Guangzhou Yuncheng	PRC	50105627	September 27, 2020
14		9	Guangzhou Yuncheng	PRC	50104446	September 27, 2020
15		20	Guangzhou Yuncheng	PRC	50102604	September 27, 2020
16		18	Guangzhou Yuncheng	PRC	50101859	September 27, 2020

No.	Trademark	Type and class	Name of applicant	Place of application	Application number	Application date
17		31	Guangzhou Yuncheng	PRC	50100482	September 27, 2020
18		28	Guangzhou Yuncheng	PRC	50100457	September 27, 2020
19		9	Guangzhou Yuncheng	PRC	50100264	September 27, 2020
20		5	Guangzhou Yuncheng	PRC	50100243	September 27, 2020
21		5	Guangzhou Yuncheng	PRC	50100233	September 27, 2020
22		28	Guangzhou Yuncheng	PRC	50098608	September 27, 2020
23		20	Guangzhou Yuncheng	PRC	50098311	September 27, 2020
24		20	Guangzhou Yuncheng	PRC	50096720	September 27, 2020
25		16	Guangzhou Yuncheng	PRC	50096617	September 27, 2020
26		9	Guangzhou Yuncheng	PRC	50096585	September 27, 2020
27		5	Guangzhou Yuncheng	PRC	50096562	September 27, 2020
28		5	Guangzhou Yuncheng	PRC	50096558	September 27, 2020
29		31	Guangzhou Yuncheng	PRC	50094646	September 27, 2020
30		3	Guangzhou Yuncheng	PRC	50094022	September 27, 2020

No.	Trademark	Type and class	Name of applicant	Place of application	Application number	Application date
31		18	Guangzhou Yuncheng	PRC	50091861	September 27, 2020
32		28	Guangzhou Yuncheng	PRC	50090649	September 27, 2020
33		28	Guangzhou Yuncheng	PRC	50090642	September 27, 2020
34		3	Guangzhou Yuncheng	PRC	50090250	September 27, 2020
35		3	Guangzhou Yuncheng	PRC	50087347	September 27, 2020
36		35	Guangzhou Yuncheng	PRC	50087113	September 27, 2020
37		31	Guangzhou Yuncheng	PRC	50087084	September 27, 2020
38		20	Guangzhou Yuncheng	PRC	50087001	September 27, 2020
39		16	Guangzhou Yuncheng	PRC	50086953	September 27, 2020

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names:

No.	Domain name	Registrant	Registration number	Registration date	Expiry date
1.	chinacheerwin.cn	Cheerwin Biotechnology	粵ICP備 14084033號-1	January 16, 2014	January 16, 2024
2.	chinacheerwin.com.cn	Cheerwin Biotechnology	粵ICP備 14084033號-2	January 16, 2014	January 16, 2024
3.	chinacheerwin.com	Cheerwin Biotechnology	粵ICP備 14084033號-3	January 16, 2014	January 16, 2024

No.	Domain name	Registrant	Registration number	Registration date	Expiry date
4.	chinacheerwin.net	Cheerwin Biotechnology	粵ICP備14084033號-4	January 16, 2014	January 16, 2024
5.	cheerwin.com	Cheerwin Biotechnology	粵ICP備14084033號-5	September 1, 2017	September 1, 2027

(c) Patents

As of the Latest Practicable Date, we have registered the following patents which are material to our business in the PRC:

No.	Title of patent	Patent type	Registered Owner	Application number	Application date
1	Packaging box (outer box for anti-bacterial sachet) (包裝盒(除菌包-外盒))	Design	Cheerwin Biotechnology	202030077447.5	March 10, 2020
2	Packaging bag (inner bag for anti-bacterial sachet) (包裝袋(除菌包-內袋))	Design	Cheerwin Biotechnology	202030077615.0	March 10, 2020
3	A household air conditioner cleaning aerosol composition and preparation method thereof (一種家用空調清潔氣霧劑組合物及其製備方法)	Invention	Cheerwin Biotechnology	201510275656.9	May 26, 2015
4	A high-efficiency and low-toxic formaldehyde purifier (一種高效低毒的甲醛清除劑)	Invention	Cheerwin Biotechnology	201410542797.8	October 14, 2014
5	An attractant applied to sticky cockroach-catching house and use method thereof (一種應用於黏式捕蟑屋的引誘劑及其使用方法)	Invention	Cheerwin Biotechnology	201310420215.4	September 13, 2013
6	A kitchen heavy dirt grease cleaner containing worm-like micelle microstructure and preparation method thereof (一種含有蠕蟲狀膠束微觀結構的廚房重垢油污清潔劑及其製備方法)	Invention	Cheerwin Biotechnology	201310167292.3	May 8, 2013

No.	Title of patent	Patent type	Registered Owner	Application number	Application date
7	A solid pipe dredging agent with active oxygen sterilization effect and preparation method thereof (一種具有活氧除菌功效的固體管道疏通劑及其製備方法)	Invention	Cheerwin Biotechnology	201310144241.9	April 23, 2013
8	A water-based vaporizing liquid and preparation method thereof (一種水基電熱液體蚊香及其製備方法)	Invention	Cheerwin Biotechnology	201210264976.0	July 27, 2012
9	A cleaning aerosol composition and preparation method of aerosol (一種清潔氣霧劑組合物及氣霧劑的製備方法)	Invention	Cheerwin Biotechnology	201710811143.4	September 8, 2017
10	An air purification article (一種空氣淨化物件)	Utility model	Cheerwin Biotechnology	201821338970.2	August 17, 2018
11	A household fly attracting device (一種家庭蠅類引誘裝置)	Utility model	Cheerwin Biotechnology	201921790813.X	October 23, 2019
12	Sticky trapping effect test device (黏捕效果測試裝置)	Utility model	Cheerwin Biotechnology	201720390168.7	April 13, 2017
13	Mosquito killing device (滅蚊器)	Design	Cheerwin Biotechnology	201930066441.5	February 18, 2019
14	Packaging bag (antibacterial sachet – outer bag) (包裝袋(除菌包-外袋))	Design	Cheerwin Biotechnology	202030077440.3	March 10, 2020
15	Liquid vaporizer heater (C) (電熱蚊香液加熱器(C))	Design	Cheerwin Biotechnology	202030077633.9	March 10, 2020
16	Liquid vaporizer heater (D) (電熱蚊香液加熱器(D))	Design	Cheerwin Biotechnology	202030077451.1	March 10, 2020
17	Packaging bottle (Vewin 84 household disinfectant liquid) (包裝瓶(威王84家居消毒液))	Design	Cheerwin Biotechnology	202030077632.4	March 10, 2020
18	Packaging bottle (Babeking anti-itch gel) (包裝瓶(貝貝健-止癢凝露))	Design	Cheerwin Biotechnology	201530324008.9	August 26, 2015

No.	Title of patent	Patent type	Registered Owner	Application number	Application date
19	Packaging box (Babeking anti-itch gel) (包裝盒(貝貝健-止癢凝露))	Design	Cheerwin Biotechnology	201530324081.6	August 26, 2015
20	An inner plug of liquid vaporizer bottle for preventing effusion (一種防止積液的蚊香液瓶內塞)	Utility model	Anfu Cheerwin	201921447612.X	September 2, 2019
21	A cockroach bait box (一種蟑螂餌盒)	Utility model	Anfu Cheerwin	201921093461.2	July 12, 2019
22	A device used for mosquito mat products (一種用於蚊香片產品的裝置)	Utility model	Anfu Cheerwin	201920084579.2	January 18, 2019
23	A mosquito coil burning equipment (一種蚊香烘烤設備)	Utility model	Anfu Cheerwin	201822111398.2	December 17, 2018
24	An automatic production equipment for electric mosquito repellent (一種電蚊香自動生產設備)	Utility model	Anfu Cheerwin	201822111489.6	December 17, 2018
25	A fast coding equipment for assembly line (一種流水線快速打碼設備)	Utility model	Anfu Cheerwin	201822113081.2	December 17, 2018
26	An inner plug for balancing internal and external pressure difference (一種平衡內外壓差的內塞)	Utility model	Anfu Cheerwin	201822061563.8	December 10, 2018
27	A vacuum compression bag with indicating airtightness (一種具有指示密封性的真空壓縮袋)	Utility model	Anfu Cheerwin	201822067199.6	December 10, 2018
28	An improved porous plate absorption tube (一種改進的多孔板吸收管)	Utility model	Anfu Cheerwin	201822067741.8	December 10, 2018
29	A detection method for evaluating the anti-mold effect of mosquito coil (一種評價盤式蚊香防霉效果的檢測方法)	Invention	Anfu Cheerwin	201410770850.X	December 15, 2014

No.	Title of patent	Patent type	Registered Owner	Application number	Application date
30	A pyrethroid release control composition (一種擬除蟲菊酯釋放控制組合物)	Invention	Anfu Cheerwin	201410529414.3	October 9, 2014
31	A water-based insect repellent aerosol composition (一種水基驅蟲氣霧劑組合物)	Invention	Anfu Cheerwin	201410280213.4	June 20, 2014
32	A natural plant essential oil mosquito repellent gel composition (一種天然植物精油驅蚊凝膠組合物)	Invention	Anfu Cheerwin	201310211166.3	May 31, 2013
33	Vaporizing mat heater (電熱蚊香片加熱器)	Design	Panyu Cheerwin	201230050893.2	March 8, 2012
34	Liquid vaporizer heater (A) (電熱蚊香液加熱器(A))	Design	Panyu Cheerwin	201230050904.7	March 8, 2012
35	Liquid vaporizer heater (B) (電熱蚊香液加熱器(B))	Design	Panyu Cheerwin	201230050902.8	March 8, 2012
36	Screening method of the mold-type of mosquito coil and the evaluation method of anti-mold effect of mosquito coil (盤式蚊香霉變菌種的篩選方法及盤式蚊香防霉效果的評價方法)	Invention	Guangzhou Liby, Cheerwin Biotechnology	201410771287.8	December 15, 2014
37	Air freshener and preparation method thereof (空氣清新劑及其製備方法)	Invention	Guangzhou Liby, Cheerwin Biotechnology	201610502474.5	June 27, 2016
38	A bottle with Inter-fastened components (一種組件相互緊固的瓶子)	Utility model	Guangzhou Liby, Cheerwin Biotechnology	201820821767.4	May 30, 2018
39	A glass cleaner composition added with cationic polymer (一種添加陽離子聚合物的玻璃清潔劑組合物)	Invention	Guangzhou Liby, Cheerwin Biotechnology	201510946350.1	December 16, 2015

No.	Title of patent	Patent type	Registered Owner	Application number	Application date
40	A color-changing composition for time indication and method of use (一種用於時間指示的變色組合物及其使用方法)	Invention	Guangzhou Liby, Cheerwin Biotechnology	201510362842.6	June 26, 2015
41	A mosquito repellent device capable of being mounted on the outer cover of electric fan (一種可搭載在電風扇外罩上的驅蚊裝置)	Utility model	Guangzhou Liby, Cheerwin Biotechnology	201721873405.1	December 26, 2017
42	Kitchen wipes infusion and its preparation method and application (廚房濕巾浸液及其製備方法與應用)	Invention	Guangzhou Liby, Cheerwin Biotechnology	201610562775.7	July 14, 2016
43	A glass cleaning anti-fog wipe matrix composition and preparation method thereof (一種玻璃清潔防霧濕巾基體組合物及其製備方法)	Invention	Guangzhou Liby, Cheerwin Biotechnology	201610210984.5	April 5, 2016
44	A granular attractant composition suitable for cockroach-catching houses (一種適用於捕蟑屋的顆粒引誘劑組合物)	Invention	Guangzhou Liby, Cheerwin Biotechnology	201510571524.0	September 8, 2015
45	A pipe dredging agent with stable active oxygen function and preparation method thereof (一種具有穩定活氧功效的管道疏通劑及其製備方法)	Invention	Guangzhou Liby, Cheerwin Biotechnology	201410146096.2	April 11, 2014
46	An insecticidal aerosol composition (一種殺蟲氣霧劑組合物)	Invention	Guangzhou Liby, Cheerwin Biotechnology	201510884685.5	December 3, 2015
47	A gel freshener containing lemon tea tree essential oil components and preparation method thereof (一種含有檸檬茶樹精油成分的固體清新劑及其製備方法)	Invention	Guangzhou Liby, Cheerwin Biotechnology	201410252619.1	June 9, 2014

No.	Title of patent	Patent type	Registered Owner	Application number	Application date
48	A method for improving the accuracy of iodometric measurement of samples containing interfering substances (一種提高含干擾物質的樣品的碘量法測量準確度的方法)	Invention	Guangzhou Liby, Cheerwin Biotechnology	201510704967.2	October 26, 2015
49	Tea dirt cleansing effervescent tablet and preparation method thereof (茶垢清潔泡騰片及其製備方法)	Invention	Guangzhou Liby, Cheerwin Biotechnology	201410168830.5	April 24, 2014
50	A cockroach bait box and its combined device (一種蟑螂餌盒及其組合裝置)	Utility model	Guangzhou Liby, Cheerwin Biotechnology	201620194039.6	March 14, 2016
51	A mothproof box capable of indicating failure time (一種可指示失效時間的防蛀盒)	Utility model	Guangzhou Liby, Cheerwin Biotechnology	201520025074.0	January 14, 2015
52	A lightweight micro-smoke semi-finished mosquito coil and preparation method thereof (一種輕質微煙蚊香坯及其製備方法)	Invention	Guangzhou Liby, Cheerwin Biotechnology	201110439987.3	December 23, 2011
53	A mugwort plant fiber mosquito coil and preparation method thereof (一種艾草植物纖維蚊香及其製備方法)	Invention	Guangzhou Liby, Cheerwin Biotechnology	200910192449.1	September 17, 2009
54	An air freshener packaging device capable of emitting single or mixed fragrance (一種可散發單一或混合香味的空氣清新劑包裝裝置)	Utility model	Guangzhou Liby, Cheerwin Biotechnology	201120429891.4	November 3, 2011
55	Packaging bottle (mosquito repellent Florida Water) (包裝瓶(驅蚊花露水))	Design	Shanghai Runzhisu	201930466712.6	August 15, 2019

No.	Title of patent	Patent type	Registered Owner	Application number	Application date
56	An ethanol-free anti-mosquito composition capable of improving the effects of p-menthyl-3,8-diol (一種可提升對薄荷基-3,8-二醇功效的無乙醇防蚊組合物)	Invention	Cheerwin Biotechnology	201811042218.8	September 7, 2018
57	An MOF forming adsorbent with a formaldehyde clearing function and a preparation method thereof (一種具有清除甲醛功能的MOF成型吸附劑及其製備方法)	Invention	Cheerwin Biotechnology	201711091658.8	November 8, 2017
58	Pet tooth-cleaning gel and preparation method thereof (一種寵物潔牙凝膠及其製備方法)	Invention	Guangzhou Yuncheng	2018108964709.0	August 8, 2018

As of the Latest Practicable Date, we have applied for the registration of the following patent which are material to our business in the PRC:

No.	Title of patent	Patent type	Registered owner	Application number	Application date
1	A packaging structure for regulating the release rate of chlorine dioxide (一種調控二氧化氯釋放速率的包裝結構)	Invention	Cheerwin Biotechnology	202010138859.4	March 3, 2020
2	A family fly bait composition and preparation method thereof (一種家庭蠅類餌劑組合物及其製備方法)	Invention	Cheerwin Biotechnology	201910992955.2	October 18, 2019
3	A toilet cleaning agent and preparation method thereof (一種潔廁清潔劑及其製備方法)	Invention	Cheerwin Biotechnology	201910953643.0	October 9, 2019
4	An efficient formaldehyde removal composition (一種高效除甲醛組合物)	Invention	Cheerwin Biotechnology	201910682199.3	July 26, 2019

No.	Title of patent	Patent type	Registered owner	Application number	Application date
5	A mosquito attractant composition and preparation method and use method thereof (一種蚊蟲引誘劑組合物及其製備方法和使用方法)	Invention	Cheerwin Biotechnology	201910357985.6	April 30, 2019
6	A method for evaluating the release rate of chlorine dioxide (一種評測二氧化氯釋放速率的方法)	Invention	Cheerwin Biotechnology	201910357987.5	April 30, 2019
7	A method for regulating stable release of chlorine dioxide and chlorine dioxide sustained-release gel (一種調節二氧化氯平穩釋放的方法及二氧化氯緩釋凝膠)	Invention	Cheerwin Biotechnology	201910357996.4	April 30, 2019
8	A cleansing aerosol and preparation method thereof (一種清潔氣霧劑及其製備方法)	Invention	Cheerwin Biotechnology	201810922572.3	August 14, 2018
9	A cationic fungicide and method for reducing irritation of cationic fungicide and prolonging antibacterial time (一種陽離子殺菌劑及降低陽離子殺菌劑刺激性並延長抑菌時間的方法)	Invention	Cheerwin Biotechnology	201810924687.6	August 14, 2018
10	A footwear deodorizing and sterilizing composition and preparation method thereof (一種鞋類除味除菌組合物及其製備方法)	Invention	Cheerwin Biotechnology	201810924736.6	August 14, 2018

No.	Title of patent	Patent type	Registered owner	Application number	Application date
11	An attractant containing yeast extract and preparation method thereof (一種含酵母提取物的引誘劑及其製備方法)	Invention	Cheerwin Biotechnology	201810819314.2	July 24, 2018
12	Long-acting anti-mold and sterilizing agent and preparation method thereof (長效防霉除菌劑及其製備方法)	Invention	Cheerwin Biotechnology	201810712674.2	June 29, 2018
13	An atmospheric foam type toilet cleaner and preparation method thereof (一種常壓泡沫型潔廁清潔劑及其製備方法)	Invention	Cheerwin Biotechnology	201510519812.1	August 21, 2015
14	A long-lasting fragrance pet shampoo and preparation method thereof (一種持久留香寵物香波及其製備方法)	Invention	Guangzhou Yuncheng	202010200383.2	March 20, 2020
15	A pet perfume with long-lasting fragrance effect and preparation method thereof (一種具有持久留香效果的寵物香水及其製備方法)	Invention	Guangzhou Yuncheng	202010200786.7	March 20, 2020
16	A solid chlorine dioxide slow release agent (一種固體二氧化氯緩釋劑)	Invention	Cheerwin Biotechnology	202010568096.7	June 19, 2020
17	A packaging structure that regulates the release rate of chlorine dioxide (一種調控二氧化氯釋放速率的包裝結構)	Invention	Cheerwin Biotechnology	202010138859.4	March 3, 2020

(d) Copyrights

As of the Latest Practicable Date, we have registered the following copyrights in the PRC, which are material to our business:

No.	Copyright	Type	Copyright owner	Registration number	Registration date
1.	Bei Bei (貝貝)	Art	Panyu Cheerwin	粵作登字-2015-F-00001652	October 20, 2014
2.	High-speed dual-mode mosquito coil forming machine control platform V1.0 (高速雙模盤式蚊香成型機控制平台V1.0)	Software	Anfu Cheerwin	軟著登字第3613160號	October 10, 2018
3.	Advanced manufacturing production control software V1.0 (先進製造生產控制軟件V1.0)	Software	Anfu Cheerwin	軟著登字第3613155號	May 17, 2018
4.	Production process management of mosquito coil based on advanced industrial robot software V1.0 (基於先進工業機器人的盤蚊香生產工序管理軟件V1.0)	Software	Anfu Cheerwin	軟著登字第3613164號	December 7, 2017
5.	Factory workshop automated production line management platform V1.0 (工廠車間自動化生產線管理平台V1.0)	Software	Anfu Cheerwin	軟著登字第3615211號	September 9, 2017
6.	Electric mosquito repellent production and storage handling robot control system V1.0 (電蚊香生產入庫搬運機器人控制系統V1.0)	Software	Anfu Cheerwin	軟著登字第3615463號	December 25, 2016

No.	Copyright	Type	Copyright owner	Registration number	Registration date
7.	Robot automatic production control system V1.0 (機器人自動化生產控制系統V1.0)	Software	Anfu Cheerwin	軟著登字第3615486號	July 22, 2016
8.	Moxibustion patch packaging illustration carving (艾灸貼包裝插畫浮雕)	Art	Guangzhou Tongli	粵作登字-2017-F-00031131	August 7, 2017

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of the Substantial Shareholders

Save as disclosed in "Substantial Shareholders", immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, our Directors or chief executive are not aware of any other person (other than a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company.

(b) Interests in Other Members of the Group

So far as our Directors are aware, as of the Latest Practicable Date, no other persons (excluding us) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

2. Directors' Service Contracts

Each of our executive Directors has entered into a service contract with our Company on February 19, 2021, and we have issued letters of appointment to each of our independent non-executive Directors. The service contracts with each of our executive Directors are for an initial fixed term of three years commencing from the Listing Date. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to the Directors for the three years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 were approximately nil, RMB0.49 million, RMB0.77 million and RMB2.20 million, respectively.

Our independent non-executive Directors have been appointed for a term of three years. The Company intends to pay a director's fee of RMB300,000 per annum to each of the independent non-executive Directors, respectively. Save for the director's fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding his or her office as an independent non-executive Director.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses, payable by our Group to our Directors for the year ending December 31, 2021 will be approximately RMB11.00 million.

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this prospectus.

Further details of the terms of the above service contracts are set forth in the paragraph headed "– C. Further Information About Our Directors and Substantial Shareholders – 2. Director's Service Contracts".

4. Directors' Competing Interests

Save as disclosed in the section headed "Relationship with Our Controlling Shareholders", none of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

5. Disclaimers

Save as disclosed herein:

(a) none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;

(b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;

(c) none of the Directors nor any of the persons listed in "– D. Other Information – 5. Qualification of Experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(d) none of the Directors nor any of the persons listed in "– D. Other Information – 5. Qualification of Experts" below is materially interested in any contract or arrangement with the Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of the Group as a whole;

(e) save in connection with Underwriting Agreements, none of the persons listed in "– D. Other Information – 5. Qualification of Experts" below has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(f) none of the Directors has entered or has proposed to enter into any service agreements with our Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(g) save as contemplated under the Underwriting Agreements, none of our Directors, their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customers and five largest suppliers.

D. OTHER INFORMATION

1. Estate duty and Tax Indemnity

(a) Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

(b) Tax Indemnity

Our Controlling Shareholders (the "**Indemnifiers**") have entered into a deed of indemnity with and in favor of the Company (for itself and as trustee for each of its subsidiaries) (being the contract referred to in the paragraph headed "– B. Further Information About our Business – 1. Summary of Material Contracts" in this Appendix) to provide indemnities on a joint and several basis in respect of, among other things, taxation falling on any of the members of the Group resulting from or by reference to any income, profits or gains earned, accrued or received as well as any penalties imposed due to non-compliance with social insurance contribution and housing provident fund-related labor laws and regulations on or before the date of commencement of trading in the Shares on the Stock Exchange which might be payable by any member of the Group.

2. Litigation

As of the Latest Practicable Date, save as disclosed in "Business – Legal Proceedings and Compliance Matters", no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Please refer to the section headed "Underwriting – Independence of the Joint Sponsors" for details regarding the independence of the Joint Sponsors.

The fees payable to each of the Joint Sponsors is US$500,000 and is payable by our Company.

4. No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since September 30, 2020 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

5. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

Name	Qualification
Morgan Stanley Asia Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Commerce & Finance Law Offices	Legal advisers to Company as to PRC law
Conyers Dill & Pearman	Legal advisers to Company as to Cayman Islands law
ZICOlaw (Vietnam) Limited	Legal advisers to Company as to Vietnam law
China Insights Industry Consultancy Limited	Industry Consultant

6. Consents of Experts

Each of the experts named above has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

8. Preliminary Expenses

No material preliminary expenses were incurred in relation to the incorporation of our Company.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Taxation of Holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(b) Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisors

Potential investors in the Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Global Coordinators or any other person or party involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

12. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;

(iv) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and

(vi) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) None of the persons named in the paragraph headed "– D. Other Information – 6. Consent of Experts" in this Appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group.

(c) The branch register of members of the Company will be maintained in Hong Kong by its Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.

(d) Our Directors confirm that:

(i) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus; and

(ii) our Company has no outstanding convertible debt securities or debentures.

(e) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(f) The English version of this prospectus shall prevail over the Chinese version.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) a copy of each of the material contracts referred to in the section headed "Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts" in Appendix IV to this prospectus; and

(c) the written consents referred to in the section headed "Statutory and General Information – D. Other Information – 6. Consents of Experts" in Appendix IV to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Simpson Thacher & Bartlett, ICBC Tower, 35/F, 3 Garden Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association of our Company;

(b) the Accountants' Report and the report on the unaudited pro forma financial information prepared by Deloitte Touche Tohmatsu, the texts of which are respectively set out in Appendices I and IIA to this prospectus;

(c) the audited consolidated financial statements of our Company for the Track Record Period;

(d) the letters from Deloitte Touche Tohmatsu and the Joint Sponsors relating to the profits estimate, the texts of which are set out in Appendix IIB;

(e) the legal opinion issued by Commerce & Finance Law Offices, our PRC Legal Adviser, in respect of certain aspects and the property interests of the Group in the PRC;

(f) the legal opinion issued by ZICOlaw (Vietnam) Limited, our Vietnam legal advisers, in relation to the subsidiary of our Company incorporated in Vietnam and the applicable laws and regulations;

(g) the letter of advice prepared by Conyers Dill & Pearman, our Cayman legal advisers, summarizing certain aspects of the Cayman company law referred to in Appendix III to this prospectus;

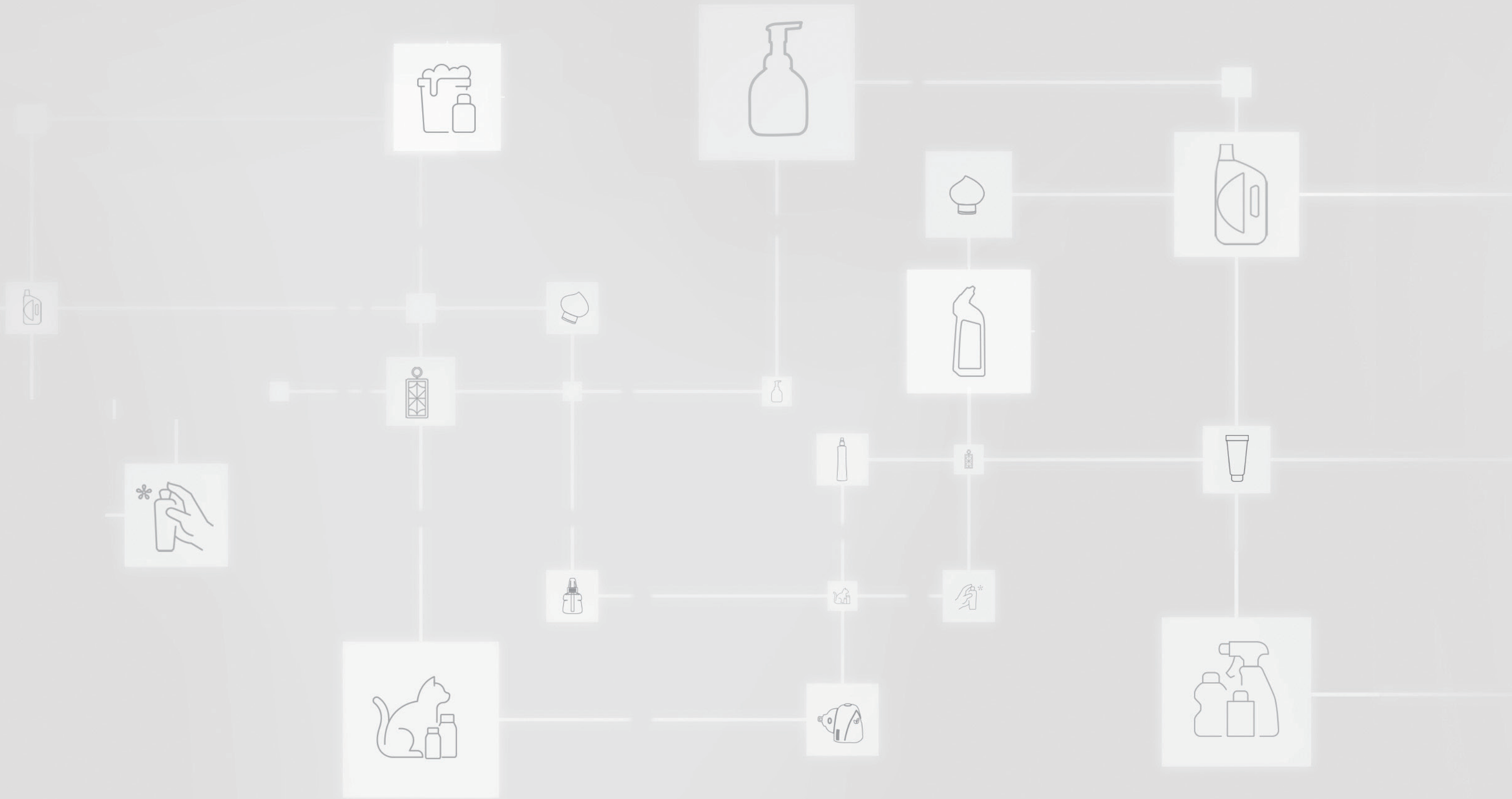
(h) the material contracts referred to in the section headed "Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts" in Appendix IV to this prospectus;

(i) the written consents referred to in the section headed "Statutory and General Information – D. Other Information – 6. Consents of Experts" in Appendix IV to this prospectus;

(j) service contracts and letters of appointment referred to in the section headed "Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders – 2. Directors' Service Contracts" in Appendix IV to this prospectus;

(k) the Companies Act; and

(l) the report issued by China Insights Industry Consultancy Limited, the summary of which is set out in the section headed "Industry Overview" in this prospectus.



CHEERWIN