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## FINANCIAL INFORMATION

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*You should read this section in conjunction with our consolidated financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. Our Company's consolidated financial statements have been prepared in accordance with the HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Company in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Company believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Company's expectations and projections will depend on a number of risks and uncertainties over which our Company does not have control. For further information, you should refer to the section "Risk factors" in this prospectus.*

### OVERVIEW

We are principally engaged in the design, development, manufacture and sale of a wide variety of (i) laundry products; (ii) household cleaning tools; and (iii) kitchen gadgets, which are common items of household necessity products. Our revenue increased from approximately RMB328.7 million for the year ended 31 December 2018 to approximately RMB336.6 million for the year ended 31 December 2019 and further to approximately RMB384.7 million for the year ended 31 December 2020. Our revenue increased from approximately RMB112.8 million for the four months ended 30 April 2020 to approximately RMB126.2 million for the four months ended 30 April 2021.

During the Track Record Period, our products are mainly manufactured and sold to international brand owners or their authorised agents on an OEM or ODM basis for resale as wholesaler or retailer in overseas markets. According to the CIC Report, we ranked second in terms of export revenue in the drying rack manufacturing market in the PRC in 2020 with a market share of approximately 6.6%.

Our products are primarily manufactured and sold under an OEM or ODM basis. Our OEM business involves the manufacture and sale of products based on customers specifications and guidelines. During the Track Record Period, our OEM products contributed the largest share of our total revenue, which amounted for approximately 75.5%, 73.9%, 76.6% and 74.1%, respectively.

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Our adjusted net profits for the year, which eliminated impacts of non-recurring items as non-HKFRS measures that we do not consider to be indicative of our operating performance, including Listing expenses, amounted to approximately RMB41.0 million, RMB40.0 million, RMB53.9 million and RMB13.1 million for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, respectively, and our adjusted net profit margins, which were non-HKFRS measures, were approximately 12.5%, 11.9%, 14.0% and 10.4%, respectively.

### **BASIS OF PRESENTATION**

Pursuant to the Reorganisation as set out in the paragraph headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus, the Company became the holding company of the companies now comprising the Group on 22 July 2019.

The companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganisation. Accordingly, for the purpose of the preparation of the Group’s Historical Financial Information, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. Our Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

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 for the Track Record Period, which include the financial performance, changes in equity and cash flows of the companies now comprising our Group have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as if the current group structure had been in existence throughout the years ended 31 December 2018 and 2019, or since their respective dates of incorporation where this is a shorter period. The consolidated statement of financial position as at 31 December 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group using the existing book values from the Controlling Shareholders perspective as if the current group structure had been in existence as at those respective dates. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company and the major operating subsidiary in the PRC, BHP Zhejiang.

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### **SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Our Group's financial condition and results of operations have been and will continue to be affected by a number of factors, including those set out below:

#### **General economic conditions and consumer demand for our products overseas**

As a majority of our sales delivered overseas, the economic conditions in these overseas markets abroad which include the United States, the United Kingdom, Germany and Australia, may have a significant effect on our financial condition and results of operations. Economic conditions in these regions, including levels of consumer spending and disposable income, affect our customers' spending and, in turn, the demand for our products. Therefore, any change in economic conditions in these regions may affect our financial condition and results of operations. According to the CIC Report, the economies in most developed countries, including the United States, Germany and Australia, have experienced steady growth in the past five years. The continuous rise of household income and number of households will stimulate overall household expenditure which, according to the CIC Report, will drive people to spend more on household necessity products more frequently, positively affecting our financial condition and results of operations. However, there are many macro and micro factors that may affect consumer spending in the overseas and the PRC markets that are beyond our control, including but not limited to member of households, household income and expenditure, and population size etc.. Any decline in the general economic conditions in the overseas market may result in decrease in orders from our customers in such market and potential delay and/or default in payment. For more information on the general economic conditions and demand for laundry products, households cleaning tools and kitchen gadgets in the overseas market to which our products are mainly delivered to, please refer to the section headed "Industry overview" in this prospectus.

#### **Our business is subject to international trade policies and trade barriers**

Our businesses are export-oriented and our products are predominantly delivered for sale in the United States, the United Kingdom, Germany and Australia. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, sales delivered to these countries contributed in aggregate approximately RMB302.5 million, RMB310.9 million, RMB342.0 million and RMB104.6 million, respectively, accounting for approximately 92.0%, 92.3%, 88.9% and 82.8% of our total revenue, respectively, of which approximately 44.9%, 44.4%, 46.3% and 26.9% of our total revenue was contributed by the sales delivered to the United States, respectively. Our Directors expect that the United States, the United Kingdom, Germany and Australia will continue to be the principal markets of our Group. Hence, our export sales are generally subject to certain inherent risks, including exposure to local, economic, political and labour conditions; changes in laws, regulations, industry standards, trade, monetary or fiscal policy; tariffs, quotas, customs and

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other import or export restrictions and other trade barriers such as anti-dumping; and compliance with the requirement of applicable anti-bribery and related laws and regulations. These uncertainties could have a material adverse effect on our business, results of operations and financial condition. Hence, any international trade policies and trade barriers such as anti-dumping duties, tariffs or quota fees imposed by the United States, and the trade war involving our products could significantly increase the prices of our products in the United States. Changes to trade policies, treaties and tariffs in the jurisdictions to which our products are exported, or the perception that these changes could occur, could adversely affect the financial and economic conditions there, as well as our financial condition and results of operations.

The United States has advocated greater restrictions on trade generally and significant increases on duties on goods imported into the United States, particularly from the PRC, and has recently taken steps toward restricting trade in certain goods. As advised by our legal advisers as to United States laws, nearly all of our Group's products sold to the United States appear to be subject to an additional duty of 7.5% or 25%.

During the Track Record Period, as our sales delivered to the United States contributed approximately 44.9%, 44.4%, 46.3% and 26.9% of our total revenue, respectively, these duties may have an adverse impact on our Group's business operation and financial results. If we were not able to pass additional costs on to our customers, our sales margins could be adversely affected, which could adversely affect our financial position, business or results of operations. For the potential impact of the additional duty of 7.5% or 25% on our Group's revenue and net profit during the Track Record Period, assuming that (i) the corresponding duty rates were applied during the Track Record Period, (ii) no measures were adopted to mitigate any impact arising from such US additional duty; and (iii) our Group took up all such US additional duty by way of price reduction negotiations with our customers for purchasing products subject to the US duties, please refer to the section headed "Business — Analysis of hypothetical impact on the revenue and profit of our Group if all additional US duties is borne by us" in this prospectus for a sensitivity analysis of the hypothetical fluctuations arising from the US additional duties on our Group's revenue and net profit in the above circumstances. It is uncertain as to what actions other governments, including the PRC government, may take in retaliation. These duties could potentially decrease the demand for our products and materially and adversely affect our business, financial condition and results of operations. In addition, these developments could have a material adverse effect on global economic conditions and the stability of global financial markets which may affect our ability to obtain financing and the cost at which we obtain financing. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

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### Fluctuation in direct costs

Our cost of sales mainly include the cost of raw materials and other labour cost. The cost of purchase of polypropylene resins, steel, textiles and packaging materials represents a significant part of our cost of raw materials. The cost of the raw materials we use to produce our products are subject to market force. During the Track Record Period, the cost of raw materials accounted for approximately 66.9%, 65.1%, 67.5% and 61.7% of our cost of sales, respectively, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021. Any significant increase in the prices of raw materials could affect our gross profit margin if we could not pass on the cost increase to our customers.

We control our cost of sales by implementing controls on the cost of raw materials. We do not enter into any long term purchase agreements with our suppliers of raw materials and we purchase most of our raw materials mainly based on the purchase orders placed by our customers. We select our suppliers from our list of approved suppliers, which comprises over 300 suppliers approved by us, and usually obtain quotations from two to three approved suppliers from the said list.

Based on our best estimates, for illustrative purpose only, the following sensitivity analysis table sets out the impacts of the hypothetical changes of the profit before tax during the Track Record Period in relation to the percentage changes to (i) selling price; (ii) cost of raw materials and (iii) direct labour costs, assuming all other factors remained unchanged, based on the historical fluctuations during the Track Record Period:

	Hypothetical change in profit before tax			
	Year ended 31 December			Four months ended 30 April
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Percentage change in selling price</b>				
15%/(15%)	49,312/(49,312)	50,483/(50,483)	57,711/(57,711)	18,936/(18,936)
10%/(10%)	32,875/(32,875)	33,655/(33,655)	38,474/(38,474)	12,624/(12,624)
5%/(5%)	16,437/(16,437)	16,828/(16,828)	19,237/(19,237)	6,312/(6,312)

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	Hypothetical change in profit before tax			
	Year ended 31 December			Four months ended 30 April
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Percentage change in cost of raw materials</b>				
15%/(15%)	(23,852)/23,852	(23,641)/23,641	(27,395)/27,395	(8,458)/8,458
10%/(10%)	(15,901)/15,901	(15,761)/15,761	(18,264)/18,264	(5,639)/5,639
5%/(5%)	(7,951)/7,951	(7,880)/7,880	(9,132)/9,132	(2,819)/2,819
<b>Percentage change in direct labour costs</b>				
15%/(15%)	(5,672)/5,672	(6,475)/6,475	(6,957)/6,957	(2,673)/2,673
10%/(10%)	(3,781)/3,781	(4,317)/4,317	(4,638)/4,638	(1,782)/1,782
5%/(5%)	(1,891)/1,891	(2,158)/2,158	(2,319)/2,319	(891)/891

### Product mix and specifications

Our products sold during the Track Record Period could be broadly categorised into (i) laundry products; (ii) household cleaning tools; and (iii) kitchen gadgets. Different products have different gross profit margins depending on factors such as raw material costs, production costs and product pricing. The ability to offer a diversified range of products with different specifications (e.g. colour and functions) is one of the essential factors for us to compete against other manufacturers in the PRC. As a result, our overall gross profit margin, so as our competitiveness in different products will vary depending on product mix across segments, which in turn, depends on our ability to expand our product offerings and to diversify our product mix. We intend to continue to optimise our product portfolio in response to the changes in market conditions and consumer preferences to maximise sales and profits.

### Production capacity and utilisation rate

Our results of operations have been and are expected to continue to be affected by our production capacity. The effective designed capacity is estimated based on the production of the most common type of model of our laundry products, household cleaning tools and kitchen gadgets as the standardised model and taking into account the difference in the manufacturing time for other models of our products of the same category. We plan to enhance our existing Huzhou Production Plant with a view to increasing our production capacity and level of automation with the net proceeds from the Global Offering.

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During the Track Record Period, the utilisation rates of our plastic injection machines for laundry products and household cleaning tools ranged from 91.0% to 99.1%.

If our production capacity is being utilised at its highest level, we may need to give up further sales orders and hence damage our reputation, forego growth opportunities and lose the trust of our customer. On the other hand, if utilisation rate of our production machinery and equipment is too low, the fixed costs in operating our production machinery and equipment may not be covered by the profit and adversely affect our results of operations.

For additional information regarding the expansion plan, please refer to the paragraphs headed “Business — Our business strategies” and “Business — Production facility — New production facility in the New Production Plant” in this prospectus.

### Exchange rate fluctuations

Our sales are mainly denominated in US\$. Our cost of sales and operating expenses are mainly denominated in RMB. Our profit margins will be adversely affected to the extent that we are unable to increase the selling prices of our products denominated in US\$ to offset any appreciation of RMB against US\$ in order to maintain our competitiveness.

Our Group’s exposure to foreign currency risk primarily arises from our overseas sales, bank balances, pledged bank deposits and bank borrowings which are primarily denominated in US\$, of which the functional currency of our Group entities related to these transactions is not US\$.

As at each reporting date, US\$ denominated financial assets and liabilities translated into RMB at the respective closing rates, were as follows:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other receivables	66,339	50,222	69,430	66,916
Cash and cash equivalents	7,227	13,247	50,580	53,981
Pledged bank deposits	6,932	6,348	1,116	1,649
Bank borrowings	(24,287)	(26,665)	(15,862)	(17,776)
<b>Net exposure arising from recognised assets and liabilities</b>	<b>56,211</b>	<b>43,152</b>	<b>105,264</b>	<b>104,770</b>

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The table below sets forth the effects of the fluctuation in foreign exchange rates on our financial performance during the Track Record Period:

	For the years ended 31 December			For the four months ended 30 April
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unrealised gain on foreign exchange forward contracts	4	1,053	1,576	809
Realised (loss)/gain on foreign exchange forward contracts	(380)	(1,264)	2,248	(937)
Net foreign exchange gain/(loss)	4,839	1,728	(7,940)	(1,478)
<b>Net increase/(decrease) in net profit (before adjustment of tax effect)</b>	<b>4,463</b>	<b>1,517</b>	<b>(4,116)</b>	<b>(1,606)</b>
<b>Net increase/(decrease) in net profit (after adjustment of tax effect)</b>	<b>3,348</b>	<b>1,401</b>	<b>(2,693)</b>	<b>(1,002)</b>

For further details, please refer to the paragraphs headed “Principal components of consolidated statements of profit or loss and other comprehensive income — Other (losses)/gains, net” in this prospectus.

The following table illustrates the sensitivity of our Group’s profit after income tax for the year/period and retained profits regarding appreciation or depreciation in our Group entities’ functional currencies against USD. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents our management’s best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	Decrease/(increase) in profit for the year/period	Decrease/(increase) in retained profits
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2018	+/-5%	2,108	2,108
Year ended 31 December 2019	+/-5%	1,618	1,618
Year ended 31 December 2020	+/-5%	3,947	3,947
Four months ended 30 April 2021	+/-5%	3,929	3,929



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For further details, please refer to note 33.2 to the Accountants' Report set out in Appendix I to this document.

### **SIGNIFICANT ACCOUNTING POLICIES**

The financial information of our Group has been prepared in accordance with accounting policies which conform with HKFRSs. The significant accounting policies adopted by our Group are set forth in detail in note 2 to the Accountants' Report set out in Appendix I to this prospectus.

Certain critical accounting policies, judgement and estimates that are significant to the preparation of our consolidated financial information and are important for an understanding of our financial position and results of operation are described below:

#### **Revenue recognition**

Revenue is recognised to depict the transfer of promised goods and services to customers in an amount that reflect the consideration to which the Group expects to be entitled in exchange for those goods and services. Our 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 the customer.

Details of our Group's revenue and other income recognition policies are as follows:

Revenue from the sales of laundry products, household cleaning tools and kitchen gadgets for a fixed fee is recognised when the Group transfers control of the assets to the customer in which the control is transferred at the point in time the customer takes undisputed delivery of the goods. Revenue from sales of laundry products, household cleaning tools and kitchen gadgets excludes value-added tax or other sales taxes.

Interest income is recognised on a time-proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

Dividend income is recognised when the shareholder's right to receive payment is established.

Rental income is recognised on a straight-line basis over the term of lease.

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### Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below) are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation on items of property, plant and equipment other than construction in progress is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method as follows:

Buildings	20 years
Machinery and production equipment	2 to 10 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	4 years
Leasehold improvements	3 to 5 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

### Inventories

Inventories are carried at the lower of cost and net realisable value. Cost, which comprises all cost of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, and is determined by using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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### **Impairment of financial assets**

HKFRS 9's impairment requirements use more forward-looking information to recognise expected credit loss ("ECL") — the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost, trade receivables and contract assets recognised and measured under HKFRS 15.

Our Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due status.

Our Group measures the loss allowance for other receivables and amounts due from related parties equal to 12-month 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 increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at each reporting date with the risk of default occurring on the financial assets 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.

### **Impairment of other non-financial assets**

Property, plant and equipment, right-of-use assets, intangible assets and interests in subsidiaries in the Company's statement of financial position are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **Foreign currency translation**

In the individual financial statements of the combined/consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the profit or loss.

### **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the application of our Group's significant accounting judgements and estimates, which are described in note 3 to the Accountants' Report set out in Appendix I to this prospectus, the preparation of our Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### **OPERATING RESULTS OF OUR GROUP**

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2020 and 2021.

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### Consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 December			For the four months ended 30 April	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
<b>Revenue</b>	328,748	336,553	384,740	112,842	126,240
Cost of sales	(237,729)	(242,124)	(270,452)	(76,553)	(91,417)
<b>Gross profit</b>	91,019	94,429	114,288	36,289	34,823
Other income	3,051	3,581	4,639	1,229	913
Selling and distribution expenses	(17,566)	(14,978)	(15,228)	(4,512)	(5,403)
Administrative and other operating expenses	(24,221)	(28,180)	(26,447)	(9,053)	(11,438)
Listing expenses	—	(5,974)	(7,683)	(3,286)	(1,184)
Finance costs	(624)	(718)	(334)	(241)	(42)
Other gains/(losses), net	4,244	1,628	(3,957)	(480)	(1,465)
Share of results of a joint venture	62	22	—	—	—
<b>Profit before income tax</b>	55,965	49,810	65,278	19,946	16,204
Income tax expense	(14,969)	(15,753)	(19,026)	(6,100)	(4,314)
<b>Profit for the year/period</b>	40,996	34,057	46,252	13,846	11,890
<b>Other comprehensive (expense)/income, net of tax</b>					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of financial statements of foreign operations	(874)	(382)	110	155	661
<i>Item that will not be reclassified subsequently to profit or loss:</i>					
Financial assets at fair value through other comprehensive income — net movement in fair value reserves (non-recycling)	17	49	353	281	(209)
Other comprehensive (expense)/income for the year/period	(857)	(333)	463	436	452
<b>Total comprehensive income for the year/period</b>	40,139	33,724	46,715	14,282	12,342

### NON-HKFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented the adjusted net profits as non-HKFRS measures, which is not required by, or presented in accordance with, HKFRS. We believe that these non-HKFRS measures

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facilitate comparison of operating performance from period to period by eliminating impacts of non-recurring items that we do not consider to be indicative of our operating performance, including Listing expenses.

The table below sets out the adjusted net profit in each respective period during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profits for the year/period	40,996	34,057	46,252	13,846	11,890
Add: Listing expenses	—	5,974	7,683	3,286	1,184
<b>Adjusted net profit for the year/period</b>	<b>40,996</b>	<b>40,031</b>	<b>53,935</b>	<b>17,132</b>	<b>13,074</b>

We believe that these non-HKFRS measures provide useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management and in comparing financial results across accounting periods. The use of these non-HKFRS measures has limitations as an analytical tool, as such, they should not be considered in isolation from, or as substitute for analysis of, our consolidated statements of profit or loss or financial condition as reported under HKFRS. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

### PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### *Revenue*

During the Track Record Period, our revenue was principally derived from the sales of (i) laundry products; (ii) household cleaning tools; and (iii) kitchen gadgets to overseas markets.

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### *Breakdown of revenue by product type*

The table below sets forth the breakdown of our revenue, sales volume and average selling price by product types for the years/periods indicated:

	For the year ended 31 December						For the four months ended 30 April													
	2018		2019		2020		2020		2021											
	% of total revenue	Average selling price	% of total revenue	Average selling price	% of total revenue	Average selling price	% of total revenue	Average selling price	% of total revenue	Average selling price	Sales volume	% of total revenue								
	Revenue	Sales volume	Revenue	Sales volume	Revenue	Sales volume	Revenue	Sales volume	Revenue	Sales volume	Revenue	Sales volume								
	RMB'000	'000 unit	RMB'000	'000 unit	RMB'000	'000 unit	RMB'000	'000 unit	RMB'000	'000 unit	RMB'000	'000 unit								
Laundry products	159,029	48.4	5,498	28.9	165,008	49.1	5,707	28.9	176,963	46.0	6,943	25.5	69,075	61.2	2,326	29.7	78,471	62.2	2,289	34.3
Household cleaning tools	164,386	50.0	19,043	8.6	166,712	49.5	17,562	9.5	192,025	49.9	21,632	8.9	41,018	36.3	4,633	8.9	46,452	36.8	6,010	7.7
Kitchen gadgets	5,333	1.6	244	21.9	4,833	1.4	205	23.6	15,752	4.1	654	24.1	2,749	2.5	118	23.3	1,317	1.0	67	19.7
<b>Total</b>	<b>328,748</b>	<b>100</b>	<b>24,785</b>		<b>336,553</b>	<b>100</b>	<b>23,474</b>		<b>384,740</b>	<b>100</b>	<b>29,229</b>		<b>112,842</b>	<b>100</b>	<b>7,077</b>		<b>126,240</b>	<b>100</b>	<b>8,366</b>	

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## FINANCIAL INFORMATION

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Revenue attributable to the sales of our products amounted to approximately RMB328.7 million, RMB336.6 million and RMB384.7 million, respectively, for the years ended 31 December 2018, 2019 and 2020. Our revenue increased from approximately RMB112.8 million for the four months ended 30 April 2020 to RMB126.2 million for the four months ended 30 April 2021. Our revenue was mainly derived from the sales of laundry products and household cleaning tools.

### *Laundry products*

Revenue attributable to the sales of laundry products mainly refer to the sales of rotary drying racks, foldable/upright drying racks, wall-mounted drying racks and other laundry products. Our revenue of laundry products contributed approximately RMB159.0 million, RMB165.0 million, RMB177.0 million and RMB78.5 million, respectively, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, representing 48.4%, 49.1%, 46.0% and 62.2%, respectively, of our total revenue over the same year/period. Our revenue attributable to the sales of laundry products was mainly derived from the United Kingdom, Germany and Australia, representing an aggregate of approximately 85.1%, 86.2%, 79.2% and 75.6% of our total revenue of laundry products, respectively, during the Track Record Period. For further details of our revenue of laundry products, please refer to the paragraphs headed “Period to period comparison of results of operations” in this section.



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The table below sets forth the breakdown of revenue from the sale of laundry products classified by key product items for the Track Record Period:

	For the year ended 31 December				For the four months ended 30 April								
	2018		2019		2020		2021						
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price					
	RMB'000	RMB	'000 unit	RMB	RMB'000	'000 unit	RMB	RMB'000	'000 unit	RMB			
Foldable/upright drying racks	55,686	37.7	1,472	35.7	47,852	1,114	43.0	19,824	503	39.4	19,179	360	53.3
Rotary drying racks	43,351	91.1	607	89.0	61,519	657	93.6	26,745	303	88.3	35,976	305	98.6
Wall-mounted drying racks	9,506	20.9	422	22.3	16,914	579	29.2	5,377	251	21.4	5,097	205	24.9
Others <sup>(Note)</sup>	50,486	16.3	3,206	15.3	50,678	4,593	11.0	17,129	1,269	13.5	18,219	1,359	13.4
<b>Total</b>	<b>159,029</b>	<b>28.9</b>	<b>5,707</b>	<b>28.9</b>	<b>176,963</b>	<b>6,943</b>	<b>25.5</b>	<b>69,075</b>	<b>2,326</b>	<b>29.7</b>	<b>78,471</b>	<b>2,289</b>	<b>34.3</b>

(unaudited)

*Note:* Others mainly include auxiliary items such as ground socket screws, airer covers, washing lines and spare parts, etc.

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During the Track Record Period, our sales of laundry products were mainly contributed by the sales of (i) foldable/upright drying racks; and (ii) rotary drying racks.

The average selling price of foldable/upright drying racks and rotary drying racks decreased from approximately RMB37.7 per unit and RMB91.1 per unit for the year ended 31 December 2018, to approximately RMB35.7 per unit and RMB89.0 per unit for the year ended 31 December 2019, mainly due to (i) the launch of certain new models, which had relatively lower average selling prices; and (ii) the increase in the sales of the existing products with lower average selling prices.

The average selling price of foldable/upright drying racks and rotary racks further increased to approximately RMB43.0 per unit and RMB93.6 per unit for the year ended 31 December 2020, mainly due to the launch of certain new models, which had relatively higher selling prices.

The average selling price of foldable/upright drying racks and rotary racks increased from approximately RMB39.4 per unit and RMB88.3 per unit for the four months ended 30 April 2020, respectively, to approximately RMB53.3 per unit and RMB98.6 per unit for the four months ended 30 April 2021, mainly due to (i) the launch of certain new models, which had relatively higher selling prices; and (ii) the increase in the sales of the existing products with higher average selling prices.

### ***Household cleaning tools***

Revenue attributable to the sales of household cleaning tools mainly refer to the sales of mops, window cleaners and toilet bowl brushes. Our revenue of household cleaning tools contributed approximately RMB164.4 million, RMB166.7 million, RMB192.0 million and RMB46.5 million, respectively, for the years ended 31 December 2018, 2019 and 2020, and four months ended 30 April 2021 representing 50.0%, 49.5%, 49.9% and 36.8%, respectively, of our total revenue over the same year/period. Our revenue attributable to the sales of household cleaning tools was mainly derived from the United States, representing approximately 84.3%, 85.2%, 84.8% and 71.5% of our total revenue of household cleaning tools, respectively, during the Track Record Period. For further details of our revenue of household cleaning tools, please refer to the paragraph headed “Period to period comparison of results of operations” in this section.

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The table below sets forth the breakdown of revenue from the sales of household cleaning tools by key product items for the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April					
	2018			2019			2020			2021		
	Revenue RMB'000	Sales volume '000 unit	Average selling price RMB	Revenue RMB'000	Sales volume '000 unit	Average selling price RMB	Revenue RMB'000	Sales volume '000 unit	Average selling price RMB	Revenue RMB'000	Sales volume '000 unit	Average selling price RMB
Floor cleaning tools	116,761	9,212	12.7	112,457	8,289	13.6	121,578	9,075	13.4	27,835	1,991	14.0
Glass cleaning tools	15,860	2,636	6.0	14,752	2,351	6.3	15,178	2,870	5.3	4,016	863	4.7
Toilet cleaning tools	9,775	1,425	6.9	18,244	2,196	8.3	26,939	3,227	8.3	3,603	518	7.0
Others <sup>(Note)</sup>	21,990	5,770	3.8	21,259	4,726	4.5	28,330	6,460	4.4	5,564	1,261	4.4
<b>Total</b>	<b>164,386</b>	<b>19,043</b>	<b>8.6</b>	<b>166,712</b>	<b>17,562</b>	<b>9.5</b>	<b>192,025</b>	<b>21,632</b>	<b>8.9</b>	<b>41,018</b>	<b>4,633</b>	<b>8.9</b>

*Note:* Others mainly include multi-purpose brushes, etc.

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### *Kitchen gadgets*

Revenue attributable to the sales of kitchen gadgets mainly refer to the sales of a wide variety of products, including containers, utensils, cooking tools and food processers. Our revenue of kitchen gadgets contributed approximately RMB5.3 million, RMB4.8 million, RMB15.8 million and RMB1.3 million, respectively, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, representing 1.6%, 1.4%, 4.1% and 1.0%, respectively, of our total revenue over the same year/period. The increase in revenue of kitchen gadgets for the year ended 31 December 2020 was mainly due to the increase in sales to Customer A. To the best knowledge of our Directors, such increase was mainly due to the increase in demand for kitchen gadgets as more consumers prepare food at home due to the closure of restaurants as a result of the draconian measures against COVID-19 imposed by the local government. For further details of our revenue of kitchen gadgets, please refer to the paragraphs headed “Period to period comparison of results of operations” in this section. Our revenue of kitchen gadgets decreased from RMB2.7 million for the four months ended 30 April 2020 to approximately RMB1.3 million for the four months ended 30 April 2021, which was mainly due to decrease in our sales of kitchen gadgets to Customer A.

### *Breakdown of revenue by mode of operation*

The table below sets forth the breakdown of our revenue and percentage contribution to our total revenue by mode of operation for the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
	(unaudited)									
OEM	248,094	75.5	248,818	73.9	294,702	76.6	81,093	71.8	93,578	74.1
ODM	79,698	24.2	87,354	26.0	87,543	22.8	31,720	28.1	30,935	24.5
OBM	956	0.3	381	0.1	2,495	0.6	29	0.1	1,727	1.4
<b>Total</b>	<b>328,748</b>	<b>100</b>	<b>336,553</b>	<b>100</b>	<b>384,740</b>	<b>100</b>	<b>112,842</b>	<b>100</b>	<b>126,240</b>	<b>100</b>

Our products are primarily manufactured and sold under an OEM or ODM basis. In December 2017, we started developing, manufacturing and selling our products under our own brand “Jia Ji Bao” (家吉寶). Our revenue of OBM products decreased from approximately RMB1.0 million for the year ended 31 December 2018 to approximately RMB0.4 million for the year ended 31 December 2019 was mainly due to our lack of sales and marketing efforts as we had not yet launched any marketing plans to promote products under our own brand “Jia Ji Bao” (家吉寶). Our revenue of OBM products increased from approximately RMB0.4 million for the year

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ended 31 December 2019 to approximately RMB2.5 million for the year ended 31 December 2020 and our revenue of OBM products increased from approximately RMB29,000 for the four months ended 30 April 2020 to approximately RMB1.7 million for the four months ended 30 April 2021, which was mainly to the launch of our products in the United Kingdom since May 2020.

Our OEM business involves the manufacture and sale of products based on customers specifications and guidelines. During the Track Record Period, our OEM products contributed the largest share of our total revenue, which amounted for approximately 75.5%, 73.9%, 76.6% and 74.1%, respectively. Our ODM products contributed approximately 24.2%, 26.0%, 22.8% and 24.5%, respectively, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021. For further details of our mode of operation, please refer to the paragraphs headed “Business — Our business model” in this prospectus.

### *Breakdown of revenue by customer type*

The table below sets forth the breakdown of our revenue and percentage contribution to our total revenue by customer type for the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
							(unaudited)			
Wholesalers	258,231	78.5	268,639	79.8	310,851	80.8	84,041	74.5	91,354	72.3
Retailers	69,561	21.2	67,606	20.1	72,511	18.8	28,261	25.0	34,811	27.6
Others <sup>(Note)</sup>	956	0.3	308	0.1	1,378	0.4	540	0.5	75	0.1
<b>Total</b>	<b>328,748</b>	<b>100</b>	<b>336,553</b>	<b>100</b>	<b>384,740</b>	<b>100</b>	<b>112,842</b>	<b>100</b>	<b>126,240</b>	<b>100</b>

*Note:* Others mainly represented sales through e-shops.

During the Track Record Period, we mainly sold our products to (i) wholesalers, which resell our products and overseas wholesalers which import our products for sale in overseas markets; (ii) retailers, which include chains of multinational supermarkets, department stores and household accessory stores; and (iii) others, which mainly represent sales through e-shops.

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### *Breakdown of revenue by location*

The table below sets forth the breakdown of our revenue by destination of delivery for the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
							(unaudited)			
United States	147,544	44.9	149,571	44.4	178,109	46.3	35,572	31.5	33,984	26.9
United Kingdom	62,070	18.9	60,538	18.0	61,593	16.0	26,593	23.6	26,253	20.8
Germany	52,690	16.0	62,740	18.6	61,764	16.1	26,513	23.5	35,202	27.9
Australia	40,156	12.2	38,075	11.3	40,542	10.5	11,065	9.8	9,116	7.2
Others <sup>(Note)</sup>	26,288	8.0	25,629	7.7	42,732	11.1	13,099	11.6	21,685	17.2
<b>Total</b>	<b>328,748</b>	<b>100</b>	<b>336,553</b>	<b>100</b>	<b>384,740</b>	<b>100</b>	<b>112,842</b>	<b>100</b>	<b>126,240</b>	<b>100</b>

*Note:* Others include Austria, Belgium, France, New Zealand, the Netherlands, Canada, etc.

During the Track Record Period, our products were sold to over 20 countries worldwide, with the United States, the United Kingdom, Germany and Australia being the major countries where our products were delivered to.

The United States is our largest market during the Track Record Period. Our revenue increased from approximately RMB147.5 million for the year ended 31 December 2018 to approximately RMB149.6 million for the year ended 31 December 2019, and further to approximately RMB178.1 million for the year ended 31 December 2020, which was mainly due to the increase in our sales of household cleaning tools with relatively higher unit prices to Bradshaw Group in 2019 and 2020. Our revenue decreased from approximately RMB35.6 million to RMB34.0 million, respectively, for the four months ended 30 April 2020 and 2021, which was mainly due to the decrease in our sales of kitchen gadgets to Customer A.

Our revenue attributable to the United Kingdom remained relatively stable at approximately RMB62.1 million, RMB60.5 million and RMB61.6 million, respectively, for the years ended 31 December 2018, 2019 and 2020. Our revenue remained relatively stable at approximately RMB26.6 million and RMB26.3 million, respectively, for the four months ended 30 April 2020 and 2021.

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Our revenue attributable to Germany was approximately RMB52.7 million and RMB62.7 million, for the years ended 31 December 2018 and 2019, respectively, which was mainly due to the increase in our sales of laundry products during the Track Record Period. Our revenue remained relatively stable at approximately RMB62.7 million and RMB61.8 million, respectively, for the years ended 31 December 2019 and 2020. Our revenue increased from approximately RMB26.5 million for the four months ended 30 April 2020 to approximately RMB35.2 million for the four months ended 30 April 2021, which was mainly due to the (i) increase in our sales of laundry products to a customer, which is a brand owner, in Germany and (ii) the increase in sales of component parts of a model of our floor cleaning tools to Customer A, one of our five largest customers during the Track Record Period.

Our revenue attributable to Australia was approximately RMB40.2 million and RMB38.1 million for the years ended 31 December 2018 and 2019, respectively. Decrease in revenue from Australia during the Track Record Period was mainly due to the decrease in our sales of laundry products to Customer B, which was one of our five largest customers during the Track Record Period, mainly due to change of product mix ordered by Customer B to more component parts of rotary drying racks. Our revenue increased from approximately RMB38.1 million for the year ended 31 December 2019 to approximately RMB40.5 million for the year ended 31 December 2020 was mainly due to the increase in sales of the component parts of a model of wall-mounted drying rack to Customer B, one of our five largest customers during the Track Record Period. Our revenue decreased from approximately RMB11.1 million for the four months ended 30 April 2020 to approximately RMB9.1 million for the four months ended 30 April 2021, which was mainly due to the decrease in sales of a model of our rotary drying racks to Customer B, one of our five largest customers during the Track Record Period resulting from Customer B's strategy to increase their inventory level for contingency purpose to cope with any unexpected disruption in delivery caused by COVID-19 in 2020.

Our revenue attributable to other countries remained relatively stable at approximately RMB26.3 million and RMB25.6 million, respectively, for the years ended 31 December 2018 and 2019. Our revenue increased from approximately RMB25.6 million for the year ended 31 December 2019 to approximately RMB42.7 million for the year ended 31 December 2020, which was mainly due to the increase in sales of laundry products delivered to Casa Si Marketing und VertriebsgmbH, one of our five largest customers during the Track Record Period. Our revenue increased from approximately RMB13.1 million for the four months ended 30 April 2020 to approximately RMB21.7 million for the four months ended 30 April 2021, which was mainly due to the increase in sales of laundry products delivered to Casa Si Marketing — und VertriebsgmbH.

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### *Cost of sales*

The following sets forth an analysis of our costs of sales by product type during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	<i>RMB'000</i>	<i>% of total cost of sales</i>	<i>RMB'000</i>	<i>% of total cost of sales</i>	<i>RMB'000</i>	<i>% of total cost of sales</i>	<i>RMB'000</i>	<i>% of total cost of sales</i>	<i>RMB'000</i>	<i>% of total cost of sales</i>
Laundry products	113,967	47.9	117,218	48.4	124,228	45.9	46,646	60.9	56,188	61.5
Household cleaning tools	119,972	50.5	121,647	50.3	135,469	50.1	28,052	36.7	34,269	37.5
Kitchen gadgets	3,790	1.6	3,259	1.3	10,755	4.0	1,855	2.4	960	1.0
<b>Total</b>	<b>237,729</b>	<b>100</b>	<b>242,124</b>	<b>100</b>	<b>270,452</b>	<b>100</b>	<b>76,553</b>	<b>100</b>	<b>91,417</b>	<b>100</b>

The trend of cost of sales of each of the principal product categories of our products was in line with the trend of the revenue of the respective product categories respectively during the Track Record Period.

The following sets out an analysis of our cost of sales by nature during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	<i>RMB'000</i>	<i>% of total cost of sales</i>	<i>RMB'000</i>	<i>% of total cost of sales</i>	<i>RMB'000</i>	<i>% of total cost of sales</i>	<i>RMB'000</i>	<i>% of total cost of sales</i>	<i>RMB'000</i>	<i>% of total cost of sales</i>
Raw materials	159,014	66.9	157,609	65.1	182,636	67.5	51,395	67.1	56,386	61.7
Direct labour costs	37,813	15.9	43,169	17.8	46,382	17.2	14,227	18.6	17,820	19.5
Processing fees	12,842	5.4	14,634	6.1	17,523	6.5	3,721	4.9	9,232	10.1
Non-recoverable Value-added tax ("VAT")	11,440	4.8	4,797	2.0	408	0.2	265	0.3	—	—
Depreciation and amortisation expenses	7,029	3.0	8,017	3.3	10,225	3.8	3,070	4.0	3,089	3.4
Utilities	5,725	2.4	5,893	2.4	6,110	2.2	1,769	2.3	2,147	2.3
Others	3,866	1.6	8,005	3.3	7,168	2.6	2,106	2.8	2,743	3.0
<b>Total</b>	<b>237,729</b>	<b>100</b>	<b>242,124</b>	<b>100</b>	<b>270,452</b>	<b>100</b>	<b>76,553</b>	<b>100</b>	<b>91,417</b>	<b>100</b>



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Our costs of sales increased from approximately RMB237.7 million for the year ended 31 December 2018 to approximately RMB242.1 million for the year ended 31 December 2019, and further increased to approximately RMB270.5 million for the year ended 31 December 2020, which was in line with the increase in our sales for the same year/period.

Our cost of sales increased from approximately RMB76.6 million for the four months ended 30 April 2020 to approximately RMB91.4 million for the four months ended 30 April 2021, which was due to the increase in direct labour costs and processing fees, which was in line with the increase in our sales for the same period.

### *Raw materials*

Raw materials was the major component of our cost of sales, which accounted for approximately 66.9%, 65.1%, 67.5% and 61.7%, respectively, of our total cost of sales for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021. The raw materials mainly include polypropylene resins, steel, textiles and packaging materials.

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The following sets forth an analysis of the purchase of raw materials during the Track Record Period:

	For the year ended 31 December					For the four months ended 30 April												
	2018		2019			2020			2021									
	% of total purchase '000 RMB	Average purchase price RMB	% of total purchase '000 RMB	Average purchase price RMB	% of total purchase '000 RMB	Average purchase price RMB	% of total purchase '000 RMB	Average purchase price RMB	% of total purchase '000 RMB									
Polypropylene resins	57,794	11.1	63,582	36.4	6,103	10.4	72,236	37.8	7,371	9.8	19,802	39.7	2,086	9.5	26,199	37.3	2,386	11.0
Steel	47,897	28.7	50,922	29.1	8,268	6.2	48,961	25.6	8,343	5.9	14,100	28.3	2,527	5.6	19,158	27.3	2,776	6.9
Packaging materials	35,118	21.1	74,066	19.3	73,823	0.5	38,256	20.0	85,944	0.4	9,106	18.3	19,144	0.5	12,734	18.1	27,681	0.5
Textiles	12,872	7.7	6,414	2.0	12,806	7.3	6,085	2.1	12,158	6.4	5,585	2.2	2,413	4.8	1,001	2.4	2,815	4.0
Others <sup>(Note)</sup>	13,147	7.9	13,884	7.9	13,884	7.9	19,636	10.2	19,636	10.2	19,636	10.2	4,418	8.9	4,418	9,377	13.3	1.8
<b>Total</b>	<b>166,828</b>	<b>100</b>	<b>174,916</b>	<b>100</b>	<b>174,916</b>	<b>100</b>	<b>191,247</b>	<b>100</b>	<b>191,247</b>	<b>100</b>	<b>49,839</b>	<b>100</b>	<b>49,839</b>	<b>100</b>	<b>70,283</b>	<b>100</b>	<b>70,283</b>	<b>100</b>

*Note:* Others include aluminium and other consumable materials. As other consumable materials included a wide variety of materials such as lubricants, screws, adhesives, blades, etc., the aggregated quantity and the average purchase price of different materials which are not comparable will not provide a meaningful illustration.

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Our major composition of raw materials was relatively stable during the Track Record Period. The increase in the amount of cost of raw materials during the Track Record Period was due to the increase in the overall sales volume of our products during the same year.

Polypropylene resins represented a type of polymers that is resistant to many chemical reactions and can be readily moulded into different shapes, which is commonly used in most of our products, accounted for approximately RMB57.8 million, RMB63.6 million and RMB72.2 million, respectively, during the Track Record Period. The average purchase prices of polypropylene resins accounted for approximately RMB11,100 per tonne and RMB10,400 per tonne, for the years ended 31 December 2018 and 2019, respectively. The average purchase prices of polypropylene resins decreased from approximately RMB10,400 per tonne for the year ended 31 December 2019 to approximately RMB9,800 per tonne for the year ended 31 December 2020. The average purchase prices of polypropylene resins increased from approximately RMB9,500 per tonne for the four months ended 30 April 2020 to approximately RMB11,000 per tonne for the four months ended 30 April 2021. According to CIC report, the average price of polypropylene, which is a fundamental element of polypropylene resins, decreased from approximately RMB10,000 per tonne in 2018 to approximately RMB8,900 per tonne in 2019, and further to approximately RMB8,200 per tonne at 2020. The average price of polypropylene is expected to increase to approximately RMB9,000 per tonne in 2021 due to the increase in demand of downstream manufacturing industry along with the recovery and is expected to increase steadily afterwards.

Steel is our main components of raw materials and mostly used for the production of laundry products, which accounted for approximately RMB47.9 million, RMB50.9 million and RMB49.0 million, respectively, during the Track Record Period. The average purchase prices of steel remained relatively stable at approximately RMB6,200 per tonne in 2018 and RMB6,200 per tonne in 2019. The average purchase prices of steel decreased from approximately RMB6,200 per tonne for the year ended 31 December 2019 to approximately RMB5,900 per tonne for the year ended 31 December 2020. The average purchase price of steel increased from approximately RMB5,600 per tonne for the four months ended 30 April 2020 to approximately RMB6,900 per tonne for the four months ended 30 April 2021. According to CIC report, the average price of steel is expected to increase from approximately RMB4,600 per tonne in 2020 to approximately RMB5,600 per tonne in 2021 with the recovery of downstream manufacturing industry. The average price of steel is expected to increase steadily afterwards.

Packaging materials mainly included carton boxes, is also our main components of raw materials, which is used in most of our products, accounted for approximately RMB35.1 million, RMB33.7 million and RMB38.3 million for the years ended 31 December 2018, 2019 and 2020, respectively. The average purchase prices of packaging materials remained relatively stable at approximately RMB500 per piece, RMB500 per piece and RMB400 per piece for the years ended

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31 December 2018, 2019 and 2020, respectively. The average purchase prices of packaging materials remained relatively stable at approximately RMB500 per piece and RMB500 per piece, respectively, for the four months ended 30 April 2020 and 2021.

### *Direct labour costs*

Direct labour costs included wages, social insurance contribution and staff welfare cost for personnel (including our workers and despatched workers engaged by our Group) directly involved in our production activities. Our direct labour costs amounted to approximately RMB37.8 million and RMB43.2 million, respectively, for the years ended 31 December 2018 and 2019. The increase in direct labour costs in 2019 was mainly due to the increase in average number of our workers from 2018 to 2019 in order to decrease the ratio of our despatched staff to our total staff to 10% to comply with the “Interim Provisions on Labour Dispatch”\* (《勞務派遣暫行規定》) since April 2019. For further details, please refer to the section headed “Business — Employees — Despatched staff” of this prospectus.

Our direct labour costs increased from approximately RMB43.2 million for the year ended 31 December 2019 to approximately RMB46.4 million for the year ended 31 December 2020, which was mainly due to the increase in average number of our workers for the corresponding years.

Our direct labour costs increased from approximately RMB14.2 million for the four months ended 30 April 2020 to approximately RMB17.8 million for the four months ended 30 April 2021, which was mainly due to (i) the relatively lower direct labour costs for the four months ended 30 April 2020 due to the lesser amount of social insurance contribution for the four months ended 30 April 2020 as a result of the exemption stipulated by the relevant PRC tax authorities from February to June 2020 in light of COVID-19 pandemic; and (ii) the increase in manpower to cope with production need.

### *Processing fees*

Processing fees mainly represented our costs of engaging external plastic injection service providers for the production of our products, which amounted to approximately RMB12.8 million, RMB14.5 million, RMB15.9 million and RMB8.0 million for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, respectively. For further details, please refer to the section headed “Business — Our suppliers — Plastic injection service providers” of this prospectus.

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### *Non-recoverable VAT*

Pursuant to PRC regulations, export sales are generally exempt from VAT and exporters are entitled to export tax rebate, which is calculated by multiplying the invoiced value of our export sales with the export tax rebate rate applicable to the export product type. For further details regarding the VAT, please refer to the paragraphs headed “Regulatory overview — Laws and regulations relating to tax — Value-added tax (VAT)”. In the case that our exported products had a higher domestic output VAT rate than the export tax rebate rate, the difference between the two rates, due to its non-recoverable nature, would be recorded in the cost of sales of the respective export sales. The decrease in non-recoverable VAT from approximately RMB11.4 million for the year ended 31 December 2018 to approximately RMB4.8 million for the year ended 31 December 2019, and further to approximately RMB0.4 million for the year ended 31 December 2020 was mainly due to the decrease in the difference between the domestic output VAT rate and the export tax rebate rate applied to our products resulting from the decrease in the domestic output VAT rate of certain products from 16% to 13% with effect from April 2019.

### *Depreciation and amortisation expenses*

Our depreciation and amortisation expenses amounted to approximately RMB7.0 million, RMB8.0 million and RMB10.2 million for the years ended 31 December 2018, 2019 and 2020, respectively. The increase in depreciation and amortisation expenses for the year ended 31 December 2020 was mainly due to the addition of certain machinery and production equipment in the second half year of 2019. The depreciation and amortisation expenses remained relatively stable at approximately RMB3.1 million and approximately RMB3.1 million, respectively, for the four months ended 30 April 2020 and 2021.

### *Utilities*

Our utilities expenses remained relatively stable at approximately RMB5.7 million, RMB 5.9 million and RMB6.1 million for the years ended 31 December 2018, 2019 and 2020, respectively. The utilities expenses increased from approximately RMB1.8 million for the four months ended 30 April 2020 to RMB2.1 million for the four months ended 30 April 2021.

### *Others*

Others mainly represented production overheads and repair and maintenance expenses during the Track Record Period.

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### *Gross profit and gross profit margin*

The table below sets out our gross profit and gross profit margin by product type during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April								
	2018			2019			2020			2020			2021		
	Gross profit	% of gross profit	Gross profit margin	Gross profit	% of gross profit	Gross profit margin	Gross profit	% of gross profit	Gross profit margin	Gross profit	% of gross profit	Gross profit margin	Gross profit	% of gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>Approximate</i>	<i>RMB'000</i>	%	<i>Approximate</i>	<i>RMB'000</i>	%	<i>Approximate</i>	<i>RMB'000</i>	%	<i>Approximate</i>	<i>RMB'000</i>	%	<i>Approximate</i>
Laundry products	45,062	49.5	28.3	47,790	50.6	29.0	52,734	46.1	29.8	22,429	61.8	32.5	22,283	64.0	28.4
Household cleaning tools	44,415	48.8	27.0	45,065	47.7	27.0	56,556	49.5	29.5	12,966	35.7	31.6	12,183	35.0	26.2
Kitchen gadgets	1,542	1.7	28.9	1,574	1.7	32.6	4,998	4.4	31.7	894	2.5	32.5	357	1.0	27.1
<b>Total</b>	<b>91,019</b>	<b>100</b>	<b>27.7</b>	<b>94,429</b>	<b>100</b>	<b>28.1</b>	<b>114,288</b>	<b>100</b>	<b>29.7</b>	<b>36,289</b>	<b>100</b>	<b>32.2</b>	<b>34,823</b>	<b>100</b>	<b>27.6</b>

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Our overall gross profit amounted to approximately RMB91.0 million, RMB94.4 million and RMB114.3 million for the years ended 31 December 2018, 2019 and 2020, respectively. Our gross profit and gross profit margin are mainly affected by various factors, including (i) the average selling price of the products; and (ii) the costs of sales, of which the costs of raw materials were the major component. Our ability to maintain or improve our gross profit margins is dependent on (i) our ability to transfer out costs of sales to our customers by means of adjusting our selling prices; and (ii) our ability to control our production costs, in particular, raw materials costs and direct labour costs. The increase in our overall gross profit margin from approximately 27.7% for the year ended 31 December 2018 to approximately 28.1% for the year ended 31 December 2019, and further to approximately 29.7% for the year ended 31 December 2020, was in line with (i) the increase in our overall revenue; and (ii) the increase in sales volume of our laundry products and household cleaning tools with lower average selling prices. Our gross profit margin decreased from approximately 32.2% for the four months ended 30 April 2020 to approximately 27.6% for the four months ended 30 April 2021, which was mainly due to (i) the increase in the overall costs of sales during the period; and (ii) the decrease in overall average selling prices of household cleaning tools. The increase in the overall cost of sales for the four months ended 30 April 2021 was mainly due to (i) the relatively higher direct labour costs for the period as compared with the corresponding period in 2020 after the resumption of payment of social insurance contributions for our employees, which had been temporarily exempted by the relevant PRC authorities from February to June 2020 in light of COVID-19 pandemic; and (ii) the increase in processing fees paid to external plastic injection service providers, attributed to the increase in the quantity of our ancillary plastic components processed by them as a result of the high utilisation of our plastic injection machines to cope with the increase in demand of our products during the period.

Our average purchase price of the major raw materials was relatively stable during the Track Record Period. In relation to our control measures on the costs of raw materials as set out in the paragraphs headed “Business — Raw materials” in this prospectus.

### ***Gross profit and gross profit margin of our laundry products***

The gross profit of our laundry products amounted to approximately RMB45.1 million, RMB47.8 million and RMB52.7 million, respectively, for the years ended 31 December 2018, 2019 and 2020. The gross profit of our laundry products remained relatively stable at approximately RMB22.4 million for the four months ended 30 April 2020 and RMB22.3 million for the four months ended 30 April 2021. The overall gross profit margin of our laundry products amounted to approximately 28.3%, 29.0% and 29.8%, respectively, for the years ended 31 December 2018, 2019 and 2020. The increase in overall gross profit margin of our laundry products during the Track Record Period was in line with the increase in gross profit margins of certain laundry products. Our gross profit margin decreased from approximately 32.5% for the four months ended 30 April 2020 to 28.4% for the four months ended 30 April 2021 despite the

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increase in average selling prices of our laundry products, which was mainly due to the overall increase in overall cost of sales due to the reasons mentioned in the paragraph headed “Gross profit and gross profit margin” in this section.

The following sets out the gross profit and gross profit margin of laundry products classified by (i) foldable/upright drying racks; (ii) rotary drying racks; (iii) wall-mounted drying racks; and (iv) others for the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	Gross profit profit	Gross margin	Gross profit profit	Gross margin	Gross profit profit	Gross margin	Gross profit profit	Gross margin	Gross profit profit	Gross margin
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)									
Foldable/upright drying racks	17,108	30.7	15,369	29.3	14,287	29.9	6,327	31.9	5,350	27.9
Rotary drying racks	12,496	28.8	16,818	31.1	18,900	30.7	8,957	33.5	10,317	28.7
Wall-mounted drying racks	2,364	24.9	2,654	28.2	5,030	29.7	1,731	32.2	1,447	28.4
Others <sup>(Note)</sup>	13,094	25.9	12,949	26.4	14,517	28.6	5,414	31.6	5,169	28.4
<b>Total</b>	<b>45,062</b>	<b>28.3</b>	<b>47,790</b>	<b>29.0</b>	<b>52,734</b>	<b>29.8</b>	<b>22,429</b>	<b>32.5</b>	<b>22,283</b>	<b>28.4</b>

*Note:* Others mainly include auxiliary items such as ground socket screws, ailer covers, washing lines and spare parts, etc..

### ***Gross profit and gross profit margin of our household cleaning tools***

Our overall gross profit of our household cleaning tools increased from approximately RMB44.4 million for the year ended 31 December 2018 to approximately RMB45.1 million for the year ended 31 December 2019, which was mainly due to the increase in gross profit of toilet cleaning tools. Our overall gross profit of our household cleaning tools further increased to approximately RMB56.6 million for the year ended 31 December 2020, which was mainly due to the increase in gross profit of floor cleaning tools and toilet cleaning tools. The gross profit of our household cleaning tools decreased from approximately RMB13.0 million for the four months ended 30 April 2020 to RMB12.2 million for the four months ended 30 April 2021 due to the decrease in gross profit of our floor cleaning tools. The gross profit margin of our household cleaning tools amounted to approximately 27.0%, 27.0%, 29.5% and 26.2% for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, respectively. The



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increase in gross profit margin of our household cleaning products during the Track Record Period was in line with the increase in gross profit margins of each of the major classification of our household cleaning products. The decrease in gross profit margin of our household cleaning products for the four months ended 30 April 2021 was mainly due to (i) the increase in sales of component parts of a model of our floor cleaning tools, which had relatively lower average selling price, to Customer A, one of our five largest customers during the Track Record Period; (ii) the decrease in sales of certain models of our floor cleaning tools, which had relatively higher average selling prices to Bradshaw Group; and (iii) the increase in overall cost of sales due to the reasons mentioned in the paragraph headed “Gross profit and gross profit margin” in this section.

The following sets out the gross profit and gross profit margin of cleaning products classified by (i) floor cleaning tools; (ii) glass cleaning tools; (iii) toilet cleaning tools; and (iv) others for the Track Record Period.

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	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
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)									
Floor cleaning tools	32,046	27.4	30,710	27.3	35,631	29.3	8,775	31.5	6,590	25.9
Glass cleaning tools	4,529	28.6	4,250	28.8	4,783	31.5	1,341	33.4	1,326	27.1
Toilet cleaning tools	1,959	20.0	4,706	25.8	8,242	30.6	1,170	32.5	1,244	26.7
Others <sup>(Note)</sup>	5,881	26.7	5,399	25.4	7,900	27.9	1,680	30.2	3,023	26.4
<b>Total</b>	<b>44,415</b>	<b>27.0</b>	<b>45,065</b>	<b>27.0</b>	<b>56,556</b>	<b>29.5</b>	<b>12,966</b>	<b>31.6</b>	<b>12,183</b>	<b>26.2</b>

*Note:* Others mainly include multi-purpose brushes, etc.

### ***Gross profit and gross profit margin of our kitchen gadgets***

The gross profit of our kitchen gadgets amounted to approximately RMB1.5 million, RMB1.6 million and RMB5.0 million, respectively, for the years ended 31 December 2018, 2019 and 2020. The gross profit of kitchen gadgets decreased from approximately RMB0.9 million for the four months ended 30 April 2020 to RMB0.4 million for the four months ended 30 April 2021, which was mainly due to the decrease in sales volume and average selling price during the period. The gross profit margin of our kitchen gadgets amounted to approximately 28.9%, 32.6%, 31.7% and 27.1%, respectively, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021. The fluctuations in the gross profit margin of our kitchen gadgets during the Track Record Period was due to variations in the product styles and specifications in response to

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the customers' requirements. Our gross profit margin decreased from approximately 32.2% for the four months ended 30 April 2020 to approximately 27.6% for the four months ended 30 April 2021, which was mainly due to the increase in sales of certain plastic boxes, which was launched in December 2020 and January 2021 and had a relatively lower average selling price.

### *Analysis of gross profit by mode of operation*

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	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
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
							(unaudited)			
OEM	66,855	26.9	67,888	27.3	86,276	29.3	25,523	31.5	24,912	26.6
ODM	23,853	29.9	26,424	30.2	27,297	31.2	10,757	33.9	9,458	30.6
OBM	311	32.5	117	30.7	715	28.7	9	31.0	453	26.2
<b>Total</b>	<b>91,019</b>	<b>27.7</b>	<b>94,429</b>	<b>28.1</b>	<b>114,288</b>	<b>29.7</b>	<b>36,289</b>	<b>32.2</b>	<b>34,823</b>	<b>27.6</b>

Our gross profit derived from sales of products under OEM basis contributed the largest portion of our total gross profit during the Track Record Period.

We generally recorded higher gross profit margins of our ODM products compared to our OEM products since we provide additional services, such as product design.

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### *Other income*

The table below sets forth a breakdown of our other income during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Bank interest income	421	654	652	173	191
Dividend income from unlisted equity investment	300	240	240	240	240
Dividend income from units in investment funds	215	36	—	—	—
Government subsidies	1,674	2,548	3,447	703	290
Others	441	103	300	113	192
<b>Total</b>	<b>3,051</b>	<b>3,581</b>	<b>4,639</b>	<b>1,229</b>	<b>913</b>

During the Track Record Period, the amount of other revenue was approximately RMB3.1 million, RMB3.6 million, RMB4.6 million and RMB0.9 million, respectively. The fluctuations in the amount of other income were mainly due to the fluctuations in the government subsidies.

Our bank interest income amounted to approximately RMB0.4 million, RMB0.7 million, RMB0.7 million and RMB0.2 million for the years ended 31 December 2018, 2019, 2020 and the four months ended 30 April 2021, respectively.

Dividend income from unlisted equity investment represented the dividend income of Deqing County Business Guarantee Co Ltd\* (德清縣商務融資擔保有限公司), which was owned by us as to approximately 5.61%. Dividend income from units in investment funds represented the dividend income we received from our investment in two funds, which we subscribed through a commercial bank. We disposed our investment in such funds in 2019.

Government subsidies represented unconditional government subsidies granted to the Group from the local government authorities in the PRC mainly for the purposes of (i) providing incentives for research and development activities; and (ii) providing business support. All government grants obtained by us during the Track Record Period were one-off in nature.

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Others mainly represented sales of scraps and moulds and rental income from BHP Huzhou.

### *Other gains/(losses), net*

The table below sets forth a breakdown of our other gains/(losses) during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Unrealised gain/(loss) on foreign exchange forward contracts	4	1,053	1,576	(573)	809
Realised (loss)/gain on foreign exchange forward contracts	(380)	(1,264)	2,248	(677)	(937)
Fair value (loss)/gain on financial asset at fair value through profit or loss (“FVTPL”)	(340)	561	(109)	(69)	13
Gain on disposal of financial assets at FVTPL	175	156	731	731	—
Net gain/(loss) on disposal of property, plant and equipment	10	(261)	(522)	(2)	5
Loss on disposal of a joint venture	—	(264)	—	—	—
Net foreign exchange gain/(loss)	4,839	1,728	(7,940)	(24)	(1,478)
(Provision)/Reversal of provision for ECL allowance on trade receivables	(64)	(81)	59	134	123
<b>Total</b>	<b>4,244</b>	<b>1,628</b>	<b>(3,957)</b>	<b>(480)</b>	<b>(1,465)</b>

During the Track Record Period, the amount of other gains/(losses) was approximately RMB4.2 million, RMB1.6 million, RMB(4.0) million and RMB(1.5) million, respectively.

Unrealised gain on foreign exchange forward contracts represented the change in fair value on foreign exchange forward contracts calculated based on the prevailing spot exchange rate and the transaction rate at the end of each year. Realised (loss)/gain on foreign exchange forward contracts represented the fair value (loss)/gain calculated based on the prevailing spot exchange rate and the transaction rate upon settlement.

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Fair value (loss)/gain on financial asset at FVTPL represented the change in fair value of a number of financial products mainly including (i) wealth management plans, which were managed by licensed financial institutions in the PRC; and (ii) investment funds subscribed through a commercial bank in Hong Kong during the Track Record Period. Gain on disposal of financial assets at FVTPL represented the gain on disposal of these financial products during the Track Record Period.

Net gain/(loss) on disposal of property, plant and equipment mainly represented the net gain/(loss) incurred through disposing our old production machinery and equipment.

On 3 June 2019, the Group disposed the 50% interest in Home Laundry, a joint venture of the Group, to its existing shareholder at nil consideration. The transaction was completed in 2019 and loss on disposal of the joint venture amounted to approximately RMB0.3 million was recognised for the year ended 31 December 2019.

Net foreign exchange gain/(loss) mainly represented the foreign exchange differences due to the fluctuations of USD against RMB. The change of net foreign exchange gain of approximately RMB1.7 million for the year ended 31 December 2019 to net foreign exchange loss of approximately RMB7.9 million for the year ended 31 December 2020 was mainly due to the appreciation of RMB against USD in 2020. The net foreign exchange loss of approximately RMB1.5 million for the four months ended 30 April 2021 was mainly due to the appreciation of RMB against USD in the period.

(Provision)/Reversal of provision for ECL allowance on trade receivables referred to our provision policy for impairment of trade receivables of the Group, which was mainly based on the evaluation of the collectability and ageing analysis of the respective outstanding receivables as well as forecasts of future economic conditions.

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### *Selling and distribution expenses*

The table below sets forth a breakdown of our selling and distribution expenses during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Transportation costs	9,507	54.1	10,298	68.8	10,711	70.3	3,027	67.1	3,873	71.7
Sales and marketing fees	5,772	32.9	2,081	13.9	1,590	10.5	537	11.9	480	8.9
Staff costs	726	4.1	1,111	7.4	1,359	8.9	368	8.2	460	8.5
Others <sup>(Note)</sup>	1,561	8.9	1,488	9.9	1,568	10.3	580	12.8	590	10.9
<b>Total</b>	<b>17,566</b>	<b>100</b>	<b>14,978</b>	<b>100</b>	<b>15,228</b>	<b>100</b>	<b>4,512</b>	<b>100</b>	<b>5,403</b>	<b>100</b>

*Note:* Others mainly represented insurance expenses for exporting products, inspection fee, testing fee and other miscellaneous costs.

During the Track Record Period, our selling and distribution expenses were approximately RMB17.6 million, RMB15.0 million, RMB15.2 million and RMB5.4 million for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, representing approximately 5.3%, 4.5%, 4.0% and 4.3% of our total revenue for the corresponding years and period, respectively.

Transportation costs mainly represented our payments to third-party logistics providers for product delivery to our customers. For the years ended 31 December 2018, 2019 and 2020, our transportation costs amounted to approximately RMB9.5 million, RMB10.3 million and RMB10.7 million, respectively. Our transportation costs increased from approximately RMB3.0 million for the four months ended 30 April 2020 to approximately RMB3.9 million for the four months ended 30 April 2021. The increase in transportation fee was in line with the increase in sales during the Track Record Period.

Sales and marketing fees mainly represented (i) our fee paid to NSM for its provision sales and marketing support; and (ii) the advertisement fee for promotion purpose. The decrease in our sales and marketing fees was mainly due to the renewal of the management agreement with NSM, which is considered a connected person of our Group, in July 2018, which a fixed fee was paid for NSM's sales and marketing services. The decrease in our sales and marketing fees for the year ended 31 December 2020 was mainly due to less cost was incurred on trade fair and exhibitions during the year.

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Staff costs mainly represented salaries and employee benefits for employees engaging in sales activities. The increase in staff costs from approximately RMB0.7 million for the year ended 31 December 2018 to approximately RMB1.1 million for the year ended 31 December 2019 was mainly due to the increase in average number of employees in 2019.

### *Administrative and other operating expenses*

The table below sets forth a breakdown of our administrative and other operating expenses during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	13,483	55.7	16,072	57.0	15,142	57.3	4,967	54.9	7,001	61.2
Depreciation and amortisation expenses	3,494	14.4	3,036	10.8	2,621	9.9	878	9.7	852	7.4
Travel and entertainment fee	1,267	5.2	1,685	6.0	954	3.6	260	2.9	398	3.5
Research and development costs	1,473	6.1	1,506	5.3	1,700	6.4	668	7.4	1,021	8.9
Other taxes	164	0.7	864	3.1	1,209	4.6	720	7.9	230	2.0
Legal and professional fee	977	4.0	448	1.6	1,112	4.2	217	2.4	218	1.9
Environmental protection cost	382	1.6	387	1.4	589	2.2	161	1.8	166	1.5
Fine	—	—	1,575	5.6	—	—	—	—	—	—
Others <sup>(Note)</sup>	2,981	12.3	2,607	9.2	3,120	11.8	1,182	13.0	1,552	13.6
<b>Total</b>	<b>24,221</b>	<b>100</b>	<b>28,180</b>	<b>100</b>	<b>26,447</b>	<b>100</b>	<b>9,053</b>	<b>100</b>	<b>11,438</b>	<b>100</b>

*Note:* Others mainly represented insurance expense, office expense, repair and maintenance expenses and other miscellaneous costs for administrative purpose.

During the Track Record Period, our administrative and other operating expenses were approximately RMB24.2 million, RMB28.2 million, RMB26.4 million and RMB11.4 million for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, representing approximately 7.4%, 8.4%, 6.9% and 9.1% of our total revenue for the corresponding years, respectively.

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Staff costs mainly represented salaries and employee benefits for our employees engaging in administrative activities. Depreciation and amortisation expenses represented such expenses of our property, plant and equipment being used in our administrative activities.

Travel and entertainment fee mainly represented travel and entertainment expenses incurred by our employees engaging in administrative activities.

Others taxes primarily consisted of urban construction tax, education surcharge and other business taxes.

Legal and professional fee mainly represented the fees charged by the professional service providers, such as the legal advisers, auditors and other professional service providers.

Environmental protection cost mainly represented the costs incurred by our Group for compliance with the relevant environmental protection laws and regulations.

Fine represented the penalty paid to SAFE for violating the regulations on transferring profits abroad. For further details, please refer to the section headed “Business — Legal and compliance” in this prospectus.

Our Group has been focusing on research and development, especially for our ODM and OBM products. During the Track Record Period, our research and development costs were approximately RMB1.5 million, RMB1.5 million, RMB1.7 million and RMB1.0 million, respectively. For details of our research and development, please refer to the paragraph headed “Business — Our business operation — Product design and development” in this prospectus.

### ***Finance costs***

Our finance costs remained stable at approximately RMB0.6 million and RMB0.7 million for the years ended 31 December 2018 and 2019, respectively. Our finance costs decreased to approximately RMB0.3 million for the year ended 31 December 2020. Finance costs decreased from approximately RMB0.2 million for the four months ended 30 April 2020 to RMB42,000 for the four months ended 30 April 2021.

### ***Share of results of a joint venture***

During the Track Record Period, our share of results of a joint venture was derived from Home Laundry, which mainly purchased laundry products from us and resell to its customers through e-shops.



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On 3 June 2019, Mr. Zhu transferred 50% interest in Home Laundry to Mr. Nicholson. Upon completion of such transfer, Mr. Zhu ceased to hold any interest in Home Laundry. For further details of Home Laundry, please refer to the paragraphs headed “History, Reorganisation and corporate structure — Our group structure and corporate history” in this prospectus.

### *Income tax expense*

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces a two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2020 and 2021, Hong Kong profits tax of BHP Housewares is calculated in accordance with the two-tiered profits tax rates regime.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, PRC EIT is calculated at 25% of the assessable profits for subsidiaries established in the PRC.

Taxation on overseas profits has been calculated on the estimated assessable profits during the Track Record Period at the rates of taxation prevailing in the countries in which the Group operates.

The following table sets forth a breakdown of our current and deferred tax expenses for the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Current tax					
— Hong Kong Profits Tax	626	—	792	331	728
— PRC Enterprise Income tax	13,744	14,695	16,444	5,168	2,790
	14,370	14,695	17,236	5,499	3,518
Deferred tax	599	1,058	1,790	601	796
<b>Total income tax expense</b>	<b>14,969</b>	<b>15,753</b>	<b>19,026</b>	<b>6,100</b>	<b>4,314</b>

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During the Track Record Period, our effective tax rates <sup>(Note)</sup> were as follows:

	For the year ended 31 December			For the four months ended 30 April	
	2018	2019	2020	2020	2021
				<i>(unaudited)</i>	
Effective tax rate	26.7%	31.6%	29.1%	30.6%	26.6%

*Note:* The effective tax rate is calculated by dividing the income tax expense by the profit before taxation for the respective year/period multiplied by 100%.

Our Group's effective tax rates were approximately 26.7%, 31.6%, 29.1%, 30.6% and 26.6% for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2020 and 2021, respectively. The higher effective tax rates for the years ended 31 December 2019 and 2020 and for the four months ended 30 April 2020 were mainly due to the higher non-deductible expenses and the one-off Listing expenses.

### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Year ended 31 December 2018 compared to year ended 31 December 2019

##### *Revenue*

Our overall revenue increased by approximately 2.4% from approximately RMB328.7 million for the year ended 31 December 2018 to approximately RMB336.6 million for the year ended 31 December 2019, which was primarily due to the combined effects of:

- (i) the increase in the sales of our laundry products from approximately RMB159.0 million for the year ended 31 December 2018 to approximately RMB165.0 million for the year ended 31 December 2019 as a result of the increase in sales volume; and
- (ii) the increase in the sales of our household cleaning tools from approximately RMB164.4 million for the year ended 31 December 2018 to approximately RMB166.7 million for the year ended 31 December 2019 as a result of the increase in average selling price.

##### *Sales volume*

The sales volume of laundry products increased from approximately 5.5 million units for the year ended 31 December 2018 to approximately 5.7 million units for the year ended 31 December 2019, which was mainly due to increase in our sales to two of our five largest customers during the Track Record Period.

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The sales volume of household cleaning tools decreased from approximately 19.0 million units for the year ended 31 December 2018 to approximately 17.6 million units for the year ended 31 December 2019, which was mainly due to decrease in our sales to Bradshaw Group, which was our largest customer during the Track Record Period.

The sales volume of kitchen gadgets remained relatively stable at approximately 0.2 million units and approximately 0.2 million units for the years ended 31 December 2018 and 2019, respectively.

### *Average selling price*

The average selling price of laundry products remained relatively stable at approximately RMB28.9 per unit and approximately RMB28.9 per unit for the years ended 31 December 2018 and 2019, respectively.

The average selling price of household cleaning tools increased from approximately RMB8.6 per unit for the year ended 31 December 2018 to approximately RMB9.5 per unit for the year ended 31 December 2019, which was mainly due to the increase in average selling prices of our floor cleaning tools and toilet cleaning tools.

The average selling price of kitchen gadgets increased from approximately RMB21.9 per unit for the year ended 31 December 2018 to approximately RMB23.6 per unit for the year ended 31 December 2019, which was mainly due to increase in sales of one model of our kitchen gadget products, which had a relatively higher average selling price.

### *Cost of sales*

Our cost of sales increased by approximately 1.9% from approximately RMB237.7 million for the year ended 31 December 2018 to approximately RMB242.1 million for the year ended 31 December 2019, primarily due to the increase in direct labour costs from approximately RMB37.8 million for the year ended 31 December 2018 to approximately RMB43.2 million for the year ended 31 December 2019 resulting from the increase in average number of workers for production in 2019.

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### *Gross profit and gross profit margin*

Our overall gross profit increased by approximately RMB3.4 million or 3.7%, from approximately RMB91.0 million for year ended 31 December 2018 to approximately RMB94.4 million for year ended 31 December 2019 mainly due to the combined effects of:

- (i) the increase in the gross profit of laundry products from approximately RMB45.1 million for the year ended 31 December 2018 to approximately RMB47.8 million for the year ended 31 December 2019, which was mainly due to the increase in the gross profit of our rotary drying racks; and
- (ii) the increase in the gross profit of household cleaning tools from approximately RMB44.4 million for the year ended 31 December 2018 to approximately RMB45.1 million for the year ended 31 December 2019, which was mainly due to the increase in the gross profit of our toilet cleaning tools as a result of the increase in average selling price.

Our overall gross profit margin remained relatively stable at approximately 27.7% for the year ended 31 December 2018 and approximately 28.1% for the year ended 31 December 2019.

### *Other income*

Our other income increased by approximately 16.1% from approximately RMB3.1 million for the year ended 31 December 2018 to approximately RMB3.6 million for the year ended 31 December 2019. The increase was primarily due to the increase in government subsidies of approximately RMB0.9 million.

### *Other gains*

Our other gains decreased by approximately 61.9% from approximately RMB4.2 million for the year ended 31 December 2018 to approximately RMB1.6 million for the year ended 31 December 2019. The decrease was primarily due to the decrease in net foreign exchange gain for the year ended 31 December 2019.

### *Selling and distribution expenses*

Our selling and distribution expenses decreased by approximately 14.8% from approximately RMB17.6 million for the year ended 31 December 2018 to approximately RMB15.0 million for the year ended 31 December 2019, which was primarily due to the decrease in our fees paid to NSM upon the renewal of the management agreement with NSM in July 2018, which a fixed fee was paid for the sales and marketing services.

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### *Administrative and general expenses*

Our administrative and general expenses increased by approximately 16.5% from approximately RMB24.2 million for the year ended 31 December 2018 to approximately RMB28.2 million for the year ended 31 December 2019, which was primarily due to the increase in costs of employee benefits resulting from the one-off purchase of sundry supplies such as food and beverages and miscellaneous office supplies, for use as our employee benefits, from BHP Huzhou as it ceased operations in 2019.

### *Finance costs*

Our finance costs remained relatively stable at approximately RMB0.6 million and approximately RMB0.7 million for the years ended 31 December 2018 and 2019, respectively.

### *Income tax expense*

Our income tax expense increased by approximately 5.3% from approximately RMB15.0 million for the year ended 31 December 2018 to approximately RMB15.8 million for the year ended 31 December 2019.

### *Profit for the year*

As a result of the above factors, our net profit decreased by approximately 16.8% from approximately RMB41.0 million for the year ended 31 December 2018 to approximately RMB34.1 million for the year ended 31 December 2019. The net profit margin decreased from approximately 12.5% for the year ended 31 December 2018 to approximately 10.1% for the year ended 31 December 2019. Our adjusted net profit and net profit margin, which were non-HKFRS measures, was approximately RMB40.0 million and approximately 11.9% for the year ended 31 December 2019.

## **Year ended 31 December 2019 compared to year ended 31 December 2020**

### *Revenue*

Our overall revenue increased by approximately 14.3% from approximately RMB336.6 million for the year ended 31 December 2019 to approximately RMB384.7 million for the year ended 31 December 2020, which was primarily due to the combined effects of:

- (i) the increase in the sales of our laundry products from approximately RMB165.0 million for the year ended 31 December 2019 to approximately RMB177.0 million for the year ended 31 December 2020 as a result of the increase in sales volume;

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- (ii) the increase in the sales of our household cleaning tools from approximately RMB166.7 million for the year ended 31 December 2019 to approximately RMB192.0 million for the year ended 31 December 2020 as a result of the increase in sales volume; and
- (iii) the increase in the sales of our kitchen gadgets from approximately RMB4.8 million for the year ended 31 December 2019 to approximately RMB15.8 million for the year ended 31 December 2020, which was mainly due to the increase in sales volume.

### *Sales volume*

The sales volume of laundry products increased from approximately 5.7 million units for the year ended 31 December 2019 and approximately 6.9 million units for the year ended 31 December 2020, which was mainly due to the increase in our sales of the component parts of a model of wall-mounted drying rack to Customer B, which was our five largest customers during the Track Record Period.

The sales volume of household cleaning tools increased from approximately 17.6 million units for the year ended 31 December 2019 to approximately 21.6 million units for the year ended 31 December 2020, which was mainly due to the increase in our sales of multi-purpose brushes to Bradshaw Group, which was our largest customer during the Track Record Period.

The sales volume of kitchen gadgets increased from approximately 0.2 million units for the year ended 31 December 2019 to approximately 0.7 million units for the year ended 31 December 2020, which was mainly due to the increase in sales to Customer A, which was one of the five largest customers during the Track Record Period.

### *Average selling price*

The average selling price of laundry products decreased from approximately RMB28.9 per unit for the year ended 31 December 2019 to approximately RMB25.5 per unit for the year ended 31 December 2020, which was mainly due to the increase in sales of our component parts of a model of wall-mounted drying rack, which had relatively lower average selling prices, to Customer B.

The average selling price of household cleaning tools decreased from approximately RMB9.5 per unit for the year ended 31 December 2019 to approximately RMB8.9 per unit for the year ended 31 December 2020, which was mainly due to the increase of sales of glass cleaning tools which had relatively lower average selling prices.

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The average selling price of kitchen gadgets increased from approximately RMB23.6 per unit for the year ended 31 December 2019 to approximately RMB24.1 per unit for the year ended 31 December 2020, which was mainly due to the increase of sales of several models of our kitchen gadgets, such as manual food processors, potato and vegetable slicers, and fruit and vegetable swirl cutters, which had relatively higher average selling prices.

### *Cost of sales*

Our cost of sales increased from approximately RMB242.1 million for the year ended 31 December 2019 to approximately RMB270.5 million for the year ended 31 December 2020, primarily due to the purchase in raw materials to cope with the increase in our sales during the year.

### *Gross profit and gross profit margin*

Our overall gross profit increased by approximately RMB19.9 million or 21.1% from approximately RMB94.4 million for the year ended 31 December 2019 to approximately RMB114.3 million for the year ended 31 December 2020, which was primarily due to the combined effects of:

- (i) the increase in the gross profit of our laundry products from approximately RMB47.8 million for the year ended 31 December 2019 to approximately RMB52.7 million for the year ended 31 December 2020, which was mainly due to the increase in the gross profit of our rotary drying racks and wall-mounted drying racks;
- (ii) the increase in the gross profit of our household cleaning tools from approximately RMB45.1 million for the year ended 31 December 2019 to approximately RMB56.6 million for the year ended 31 December 2020, which was mainly due to the increase in the gross profit of our floor cleaning tools and toilet cleaning tools; and
- (iii) the increase in the gross profit of our kitchen gadgets from approximately RMB1.6 million for the year ended 31 December 2019 to approximately RMB5.0 million for the year ended 31 December 2020, which was mainly due to the increase in sales volume and average selling price.

Our overall gross profit margin increased from approximately 28.1% for the year ended 31 December 2019 to approximately 29.7% for the year ended 31 December 2020, which was primarily due to the increase in gross profit margin of household cleaning tools from approximately 27.0% for the year ended 31 December 2019 to approximately 29.5% for the year ended 31 December 2020, which was mainly attributable to our floor cleaning tools, glass cleaning tools and toilet cleaning tools.

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### *Other income*

Our other income increased by approximately 27.8% from approximately RMB3.6 million for the year ended 31 December 2019 to approximately RMB4.6 million for the year ended 31 December 2020. The increase was primarily due to the increase in government subsidies from approximately RMB2.5 million for the year ended 31 December 2019 to approximately RMB3.4 million for the year ended 31 December 2020.

### *Other gains/(losses), net*

We recorded other gains of approximately RMB1.6 million for the year ended 31 December 2019 and other losses of approximately RMB4.0 million for the year ended 31 December 2020. This was primarily due to the change of net foreign exchange gain to net foreign exchange loss during the year.

### *Selling and distribution expenses*

Our selling and distribution expenses remained relatively stable at approximately RMB15.0 million for the year ended 31 December 2019 and approximately RMB15.2 million for the year ended 31 December 2020.

### *Administrative and general expenses*

Our administrative and general expenses decreased by approximately 6.4% from approximately RMB28.2 million for the year ended 31 December 2019 to approximately RMB26.4 million for the year ended 31 December 2020, which was mainly due to (i) the decrease in travel and entertainment fee and (ii) the absence of the fine for the year.

### *Finance costs*

Our finance costs decreased from approximately RMB0.7 million for the year ended 31 December 2019 to RMB0.3 million for the year ended 31 December 2020, which was mainly due to the decrease in bank borrowings for the year.

### *Income tax expense*

Our income tax expense increased by approximately 20.3% from approximately RMB15.8 million for the year ended 31 December 2019 to approximately RMB19.0 million for the year ended 31 December 2020.



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### *Profit for the year*

As a result of the above factors, our net profit increased by approximately 35.8% from approximately RMB34.1 million for the year ended 31 December 2019 to approximately RMB46.3 million for the year ended 31 December 2020. The net profit margin increased from approximately 10.1% for the year ended 31 December 2019 to approximately 12.0% for the year ended 31 December 2020. Our adjusted net profit and net profit margin, which were non-HKFRS measures, was approximately RMB53.9 million and approximately 14.0% for the year ended 31 December 2020.

### **The four months ended 30 April 2020 compared to the four months ended 30 April 2021**

#### *Revenue*

Our revenue increased by approximately 11.9% from approximately RMB112.8 million for the four months ended 30 April 2020 to approximately RMB126.2 million for the four months ended 30 April 2021, which was primarily due to the combined effect of:

- (i) the increase in the sales of our laundry products from approximately RMB69.1 million for the four months ended 30 April 2020 to approximately RMB78.5 million for the four months ended 30 April 2021 as a result of the increase in average selling price; and
- (ii) the increase in sales of household cleaning tools from approximately RMB41.0 million for the four months ended 30 April 2020 to approximately RMB46.5 million for the four months ended 30 April 2021, which was mainly due to the increase in sales volume.

#### *Sales volume*

The sales volume of laundry products remained relatively stable at approximately 2.3 million units and 2.3 million units, respectively, for the four months ended 30 April 2020 and 2021.

The sales volume of household cleaning tools increased from approximately 4.6 million units for the four months ended 30 April 2020 to approximately 6.0 million units for the four months ended 30 April 2021, which was mainly due to the increase in sales of floor cleaning tools and multi-purpose brushes to Bradshaw Group and Customer A, which were our five largest customers during the Track Record Period.

The sales volume of kitchen gadgets decreased from approximately 0.1 million units for the four months ended 30 April 2020 to approximately 67,000 units for the four months ended 30 April 2021 due to the decrease in sales to Customer A.

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### *Average selling price*

The average selling price of laundry products increased from approximately RMB29.7 per unit for the four months ended 30 April 2020 to approximately RMB34.3 per unit for the four months ended 30 April 2021, which was mainly due to the increase in sales of rotary drying racks which had a relatively higher average selling price.

The average selling price of household cleaning tools decreased from approximately RMB8.9 per unit for the four months ended 30 April 2020 to RMB7.7 per unit for the four months ended 30 April 2021, which was mainly due to the increase in sales volume of our floor cleaning tools which recorded a decrease in average selling prices.

The average selling price of kitchen gadgets decreased from approximately RMB23.3 per unit for the four months ended 30 April 2020 to approximately RMB19.7 per unit for the four months ended 30 April 2021, which was mainly due to the increase in sales of certain plastic boxes, which was launched in December 2020 and January 2021 and had a relatively lower average selling price.

### *Cost of sales*

Our cost of sales increased from approximately RMB76.6 million for the four months ended 30 April 2020 to approximately RMB91.4 million for the four months ended 30 April 2021, primarily due to the (i) the lower amount of direct labour costs due to the social insurance contribution as a result of the exemption stipulated by the relevant PRC tax authorities from February to June 2020 in light of COVID-19 pandemic; and (ii) the increase in manpower to cope with production need.

### *Gross profit and gross profit margin*

Our overall gross profit decreased by approximately RMB1.5 million or 4.0% from approximately RMB36.3 million for the four months ended 30 April 2020 to approximately RMB34.8 million for the four months ended 30 April 2021, which was primarily due to the decrease in the gross profit of our laundry products, household cleaning tools and kitchen gadgets.

Our overall gross profit margin decreased from approximately 32.2% for the four months ended 30 April 2020 to approximately 27.6% for the four months ended 30 April 2021, which was primarily due to decrease in gross profit margin of our household cleaning tools from approximately 31.6% for the four months ended 30 April 2020 to approximately 26.2% for the four months ended 30 April 2021, which was mainly attributable to the increase in the overall cost of sales during the period.

### *Other income*

Our other income decreased from approximately RMB1.2 million for the four months ended 30 April 2020 to approximately RMB0.9 million for the four months ended 30 April 2021, which was primarily due to the decrease in government subsidies during the period.

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## FINANCIAL INFORMATION

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### *Other losses, net*

Our other losses increased from approximately RMB0.5 million for the four months ended 30 April 2020 to approximately RMB1.5 million for the four months ended 30 April 2021, which was mainly due to the net foreign exchange loss of approximately RMB1.5 million for the four months ended 30 April 2021 resulting from the effect of the appreciation of RMB against USD in 2021.

### *Selling and distribution expenses*

Our selling and distribution expenses increased from approximately RMB4.5 million for the four months ended 30 April 2020 to approximately RMB5.4 million for the four months ended 30 April 2021 due to the increase in transportation costs during the period which was in line with the increase in sales during the period.

### *Administrative and general expenses*

Our administrative and general expenses increased from approximately RMB9.1 million for the four months ended 30 April 2020 to approximately RMB11.4 million for the four months ended 30 April 2021, primarily due to the increase in staff costs driven by (i) the increase in number of warehouse staff to cope with the expected increase in demand for inventories management; and (ii) the increase in average salaries of the employees for the period.

### *Finance costs*

Our finance costs decreased from approximately RMB0.2 million for the four months ended 30 April 2020 to RMB42,000 for the four months ended 30 April 2021.

### *Income tax expense*

Our income tax expense decreased from approximately RMB6.1 million for the four months ended 30 April 2020 to approximately RMB4.3 million for the four months ended 30 April 2021.

### *Profit for the period*

As a result of the above factors, our net profit decreased by approximately 13.8% from approximately RMB13.8 million for the four months ended 30 April 2020 to approximately RMB11.9 million for the four months ended 30 April 2021. The net profit margin decreased from approximately 12.3% for the four months ended 30 April 2020 to approximately 9.4% for the four months ended 30 April 2021. Our adjusted net profit and net profit margin, which were non-HKFRS measures, was approximately RMB13.1 million and approximately 10.4% for the four months ended 30 April 2021.

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### LIQUIDITY AND CAPITAL RESOURCES

Our source of funds for our operations mainly comes from cash generated from our operation. Our primary uses of cash are mainly to finance our operations, working capital needs and capital expenditure needs. Upon Listing, our source of funds will be satisfied using a combination of internal generated funds, bank loans and net proceeds from the Global Offering.

#### Net current assets

The following table sets forth a breakdown of our Group's current assets and liabilities as at 31 December 2018, 2019 and 2020, 30 April 2021 and 31 August 2021:

	As at 31 December			As at 30 April	As at 31 August
	2018	2019	2020	2021	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
<b>Current assets</b>					
Inventories	34,023	51,449	60,052	73,949	78,682
Trade and other receivables	75,219	80,889	98,229	95,058	120,693
Financial assets at FVTPL	19,715	24,820	6,211	6,224	—
Amounts due from related parties	38,789	149	50	50	50
Pledged bank deposits	23,641	21,036	19,542	19,830	16,699
Cash and cash equivalents	23,601	23,649	69,655	68,886	61,123
	214,988	201,992	253,739	263,997	277,247
<b>Current liabilities</b>					
Trade and other payables	(104,705)	(98,848)	(118,716)	(110,064)	(104,468)
Contract liabilities	(196)	(781)	(336)	(1,451)	(1,452)
Bank borrowings	(24,287)	(26,665)	(15,862)	(17,776)	(22,077)
Amounts due to related parties	(12,801)	(5,818)	—	—	—
Income tax payable	(22,149)	(24,444)	(21,504)	(22,950)	(23,691)
	(164,138)	(156,556)	(156,418)	(152,241)	(151,688)
<b>Net current assets</b>	<b>50,850</b>	<b>45,436</b>	<b>97,321</b>	<b>111,756</b>	<b>125,559</b>

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Our current assets mainly included inventories, trade and other receivables, financial assets at FVTPL, amounts due from related parties, pledged bank deposits and cash and cash equivalents. Our current liabilities mainly included trade and other payables, contract liabilities, bank borrowings, amounts due to related parties and income tax payables.

Our net current assets remained relatively stable at approximately RMB50.9 million and RMB45.4 million, respectively, as at 31 December 2018 and 2019. Our net current assets increased from approximately RMB45.4 million as at 31 December 2019 to approximately RMB97.3 million as at 31 December 2020, which was mainly due to (i) the increase in cash at bank as at 31 December 2020 resulting from net cash generated from operating activities of approximately RMB71.9 million; (ii) the increase in trade receivables which was in line with the increase in revenue in 2020; and (iii) the increase in inventories of approximately RMB8.6 million, resulting from the increase in work in progress to cope with the expected sales to our major customers such as Casa Si Marketing — und VertriebsgmbH at the beginning of 2021. Our net current assets increased to approximately RMB111.8 million, as at 30 April 2021, which was mainly due to the increase in inventories for the periods to cope with the expected sales to our major customers in the second and third quarters of 2021, and further to approximately RMB125.6 million as at 31 August 2021, which was mainly due to the increase in trade receivables from Bradshaw Group resulting from the increase in sales to Bradshaw Group from June to August 2021.

For further discussions on the fluctuations of the components of our current assets and current liabilities mentioned above, please refer to the paragraphs headed “Discussion on selected balance sheet items” below.

### **Cash flows**

The table below sets forth the selected cash flow data from the consolidated statements of cash flows for the years/periods as indicated. This information should be read together with the consolidated financial information contained in the Accountants’ Report in Appendix I to this prospectus.

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	For the year ended 31 December			For the four months ended 30 April	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Operating profit before working capital changes	64,403	61,224	78,506	24,073	20,941
Changes in working capital	(23,441)	(31,158)	13,531	31,236	(19,005)
Income tax paid	(7,161)	(12,425)	(20,152)	(12,254)	(2,066)
Net cash generated from/(used in) operating activities	33,801	17,641	71,885	43,055	(130)
Net cash used in investing activities	(32,476)	(20,125)	(8,153)	(15,422)	(1,991)
Net cash (used in)/generated from financing activities	(12,032)	2,199	(15,577)	(13,728)	2,021
Net (decrease)/increase in cash and cash equivalents	(10,707)	(285)	48,155	13,905	(100)
Cash and cash equivalents at the beginning of the year/period	33,495	23,601	23,649	23,649	69,655
Effect of exchange rate changes	813	333	(2,149)	253	(669)
Cash and cash equivalents at the end of the year/period	<u>23,601</u>	<u>23,649</u>	<u>69,655</u>	<u>37,807</u>	<u>68,886</u>

### *Net cash generated from/(used in) operating activities*

Our operating cash inflow is primarily from our operating activities principally from the receipt of payments for the sales of our products, whereas our outflow from operating activities is principally for purchases of raw materials, payment of salaries and employee benefits and manufacturing overheads.

For the year ended 31 December 2018, our net cash generated from operating activities was approximately RMB33.8 million, mainly due to (i) our profit before tax of approximately RMB56.0 million which was primarily adjusted for depreciation of property, plant and equipment of approximately RMB10.3 million and finance costs of approximately RMB0.6 million; (ii) increase in trade and other payables of approximately RMB3.5 million; (iii) decrease in amounts due from related parties of approximately RMB0.4 million; which partially offset by (iv) increase in trade and other receivables of approximately RMB9.6 million; (v) increase in financial assets at FVTPL, which were held for trading purposes and classified as operating activities according to HKAS 7 “Statement of Cash Flows”, of approximately RMB8.7 million; (vi) increase in inventories of approximately RMB7.9 million, which was mainly attributable to the increase in raw materials; and (vii) the tax paid of approximately RMB7.2 million.

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For the year ended 31 December 2019, our net cash generated from operating activities was approximately RMB17.6 million, mainly due to (i) our profit before tax of approximately RMB49.8 million which was primarily adjusted for depreciation of property, plant and equipment of approximately RMB12.0 million, realised loss on foreign exchange forward contracts of approximately RMB1.3 million and finance costs of approximately RMB0.7 million; (ii) increase in contract liabilities of approximately RMB0.6 million; (iii) decrease in amounts due from related parties of approximately RMB0.4 million; which partially offset by (iv) increase in inventories of approximately RMB17.4 million, which was mainly attributable to the increase in raw materials; (v) decrease in trade and other payables of approximately RMB5.1 million; (vi) increase in trade and other receivables of approximately RMB5.1 million; and (vii) the tax paid of approximately RMB12.4 million.

For the year ended 31 December 2020, our net cash generated from operating activities was approximately RMB71.9 million, mainly due to (i) our profit before tax of approximately RMB65.3 million which was primarily adjusted for depreciation of property, plant and equipment of approximately RMB12.7 million, realised gain on foreign exchange forward contracts of approximately RMB2.2 million, unrealised gain on foreign exchange forward contracts of approximately RMB1.6 million and net foreign exchange loss of approximately RMB4.9 million; (ii) decrease in financial assets at FVTPL, which were held for trading purposes and classified as operating activities according to HKAS 7 “Statement of Cash Flows” of approximately RMB19.2 million; (iii) increase in trade and other payables of approximately RMB20.8 million; which partially offset by; (iv) increase in trade and other receivables of approximately RMB17.5 million; and (v) the tax paid of approximately RMB20.2 million.

For the four months ended 30 April 2021, our net cash used in operating activities was approximately RMB0.1 million, mainly due to (i) our profit before tax of approximately RMB16.2 million which was primarily adjusted for depreciation of property, plant and equipment of approximately RMB4.1 million, unrealised gain on foreign exchange forward contracts of approximately RMB0.8 million, realised loss on foreign exchange forward contracts of approximately RMB0.9 million and net foreign exchange loss of approximately RMB0.9 million; (ii) increase in inventories of approximately RMB13.9 million; (iii) decrease in trade and other payables of approximately RMB9.5 million; which partially offset by; (iv) decrease in trade and other receivables of approximately RMB3.3 million; and (v) increase in contract liabilities of approximately RMB1.1 million.

### *Net cash used in investing activities*

Our cash generated from investing activities are primarily attributable to interest received, dividend income from unlisted equity investment and units in investment funds. Our cash used in investing activities is primarily for purchase of property, plant and equipment, advance to related parties and change in pledged bank deposits.

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## FINANCIAL INFORMATION

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For the year ended 31 December 2018, our net cash used in investing activities was approximately RMB32.5 million, mainly due to (i) purchase of property, plant and equipment of approximately RMB17.2 million; (ii) advance to related parties of approximately RMB19.3 million; which partially offset by (iii) dividend income from unlisted equity investment and units in investment funds of approximately RMB0.3 million and RMB0.2 million, respectively; (iv) interest received of approximately RMB0.4 million; and (v) change in pledged bank deposits of approximately RMB3.2 million.

For the year ended 31 December 2019, our net cash used in investing activities was approximately RMB20.1 million, mainly due to (i) purchase of property, plant and equipment of approximately RMB22.3 million; (ii) advance to related parties of approximately RMB1.4 million; which partially offset by (iii) interest received of approximately RMB0.7 million; and (iv) change in pledged bank deposits of approximately RMB2.6 million.

For the year ended 31 December 2020, our net cash used in investing activities was approximately RMB8.2 million, mainly due to (i) purchase of property, plant and equipment of approximately RMB10.6 million; which partially offset by (ii) change in pledged bank deposits of approximately RMB1.5 million; (iii) interest received of approximately RMB0.7 million; and (iv) dividend income from unlisted equity investment of approximately RMB0.2 million.

For the four months ended 30 April 2021, our net cash used in investing activities was approximately RMB2.0 million, mainly due to (i) purchase of property, plant and equipment of approximately RMB2.2 million; (ii) change in pledged bank deposits of approximately RMB0.3 million; which partially offset by (iii) interest received of approximately RMB0.2 million; and (iv) dividend income from unlisted equity investment of approximately RMB0.2 million.

### *Net cash (used in)/generated from financing activities*

For the year ended 31 December 2018, our net cash used in financing activities was approximately RMB12.0 million, mainly attributable to (i) the repayment of bank borrowings of approximately RMB118.2 million; which partially offset by (ii) the proceeds from bank borrowings of approximately RMB120.5 million.

For the year ended 31 December 2019, our net cash generated from financing activities was approximately RMB2.2 million, mainly attributable to (i) proceeds from bank borrowings of approximately RMB112.0 million; which partially offset by (ii) the repayment of bank borrowings of approximately RMB110.1 million.



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For the year ended 31 December 2020, our net cash used in financing activities was approximately RMB15.6 million, mainly attributable to (i) the repayment of bank borrowings of approximately RMB79.6 million; which partially offset by (ii) proceeds from bank borrowings of approximately RMB70.2 million.

For the four months ended 30 April 2021, our net cash generated from financing activities was approximately RMB2.0 million, mainly attributable to (i) proceeds from bank borrowings of approximately RMB23.9 million; which partially offset by (ii) the repayment of bank borrowings of approximately RMB21.8 million.

### **Measures to improve our working capital and cash flow position**

We had negative cash flow from operating activities of approximately RMB0.1 million for the four months ended 30 April 2021. Our Directors are of the view that the negative cash flow is temporary as the negative cash flow from operating activities was mainly attributed to purchase of raw materials to cope with the expected sales to our major customers, of which the settlements would be made subsequently. Nevertheless, we have taken and will continue to take various measures to improve our cash flow position by (i) planning and monitoring our liquidity position on a regular basis by regularly assessing necessity and urgency of our major operational expenses; (ii) closely monitoring the collection status of our trade receivables, actively following up with our customers for payment by our sales department led by our deputy general manager; (iii) negotiating for down payment from our customers whose purchase orders are of large amount; (iv) closely monitoring the accumulation of outstanding balance of trade receivables and following up with such customers for settlement in a timely manner; (v) diversifying both our customer base and supplier base to avoid over-reliance on any particular customers and suppliers; (vi) negotiating for longer credit periods from our suppliers leveraging our established relationships; and (vii) maintaining stable relationships with our principal banks to arrange banking facilities for use when necessary.

Our Directors are of the opinion that, taking into consideration the internal resources and banking facilities presently available to our Group, cash generated from our operation, and the estimated net proceeds to be received by us from the Global Offering, our Group has sufficient working capital for our present requirements, that is, for at least the next 12 months commencing on the date of this prospectus. As at the Latest Practicable Date, the Group has cash and cash equivalents of approximately RMB73.0 million and pledged bank deposits of approximately RMB17.4 million, which were deposited in licensed banks in the PRC regulated by the China Banking and Insurance Regulatory Commission and authorised institutions in Hong Kong as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

## FINANCIAL INFORMATION

### INDEBTEDNESS

The table below sets out the indebtedness of our Group as at the respective dates indicated:

	As at 31 December			As at 30 April	As at 31 August
	2018	2019	2020	2021	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
<b>Current liabilities</b>					
Bank borrowings	24,287	26,665	15,862	17,776	22,077
Amounts due to related parties	12,801	5,818	—	—	—
	37,088	32,483	15,862	17,776	22,077

Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there are no material covenant related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing.

### Bank borrowings

Bank borrowings were carried at amortised cost and repayable within one year. The ranges of effective interest rates per annum on our bank borrowings are as follows:

	As at 31 December			As at 30 April	As at 31 August
	2018	2019	2020	2021	2021
					(unaudited)
Variable-rate bank borrowings <sup>(Note)</sup>	2.94% to 3.52%	2.55% to 2.68%	0.94% to 1.22%	0.72% to 0.80%	0.48% to 0.75%

*Note:* The variable-rate borrowings carry the floating-rates at London Inter-Bank Offer Rate (“LIBOR”) minus basis points or LIBOR plus a premium.

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The bank borrowings are secured and guaranteed by (i) certain assets of our Group and the carrying amounts of the assets are as follows:

	As at 31 December			As at 30 April	As at 31 August
	2018	2019	2020	2021	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Property, plant and equipment	55,874	52,437	53,034	51,437	49,909
Right-of-use assets	9,759	9,520	9,281	9,200	9,120
Trade receivables	26,202	25,643	17,834	20,413	31,200
	91,835	87,600	80,149	81,050	90,229

(ii) charges over certain properties held by Mr. Zhu and his spouse and personal guarantees by Mr. Zhu and his spouse. Such charges and guarantees by Mr. Zhu and his spouse will be released or have been released prior to the Listing.

As at the Latest Practicable Date, our Group had aggregate unutilised banking facilities of approximately RMB32.0 million.

### Amounts due to related parties

As at 31 December 2018, 2019 and 2020 and 30 April 2021, the amounts due to related parties were approximately RMB12.8 million, RMB5.8 million, nil and nil, respectively. The amounts due to related parties were in non-trade nature, unsecured, interest-free and payable on demand.

Our Directors confirm that we have not experienced any withdrawal of facilities, default in payment of bank borrowing or breach of financial covenants during the Track Record Period and up to the Latest Practicable Date.

### Lease liabilities

Our Group did not have lease liabilities as at 30 April 2021 as the consideration of lease was one-off payment which was fully prepaid during the acquisition of the rights of PRC long term lease with no other further payments incurred.

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### ASSETS AND LIABILITIES

The table below sets out our assets and liabilities as at 31 December 2018, 2019 and 2020 and as at 30 April 2021:

#### Consolidated statements of financial position

	As at 31 December			30 April
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>				
Property, plant and equipment	88,034	94,777	94,365	92,421
Right-of-use assets	9,759	9,520	9,281	9,200
Deposits paid for acquisition of property, plant and equipment	1,796	4,217	1,139	2,076
Interest in a joint venture	242	—	—	—
Intangible assets	39	4	—	—
Financial asset at fair value through other comprehensive income (“FVOCI”)	1,578	1,643	2,114	1,835
Deferred tax assets	1,785	2,136	1,686	1,287
	<u>103,233</u>	<u>112,297</u>	<u>108,585</u>	<u>106,819</u>
<b>Current assets</b>				
Inventories	34,023	51,449	60,052	73,949
Trade and other receivables	75,219	80,889	98,229	95,058
Financial assets at FVTPL	19,715	24,820	6,211	6,224
Amounts due from related parties	38,789	149	50	50
Pledged bank deposits	23,641	21,036	19,542	19,830
Cash and cash equivalents	23,601	23,649	69,655	68,886
	<u>214,988</u>	<u>201,992</u>	<u>253,739</u>	<u>263,997</u>
<b>Current liabilities</b>				
Trade and other payables	104,705	98,848	118,716	110,064
Contract liabilities	196	781	336	1,451
Bank borrowings	24,287	26,665	15,862	17,776
Amounts due to related parties	12,801	5,818	—	—
Income tax payable	22,149	24,444	21,504	22,950
	<u>164,138</u>	<u>156,556</u>	<u>156,418</u>	<u>152,241</u>
<b>Net current assets</b>	<u>50,850</u>	<u>45,436</u>	<u>97,321</u>	<u>111,756</u>
<b>Total asset less current liabilities</b>	<u>154,083</u>	<u>157,733</u>	<u>205,906</u>	<u>218,575</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	1,388	2,814	4,272	4,599
<b>Net assets</b>	<u>152,695</u>	<u>154,919</u>	<u>201,634</u>	<u>213,976</u>
<b>Capital and reserves</b>				
Share capital	429	—*	—*	—*
Reserves	152,266	154,919	201,634	213,976
<b>Total equity</b>	<u>152,695</u>	<u>154,919</u>	<u>201,634</u>	<u>213,976</u>

\* The amount is less than RMB1,000.

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### DISCUSSION ON SELECTED BALANCE SHEET ITEMS

#### **Property, plant and equipment**

During the Track Record Period, our property, plant and equipment mainly represented buildings, production machinery and equipment, motor vehicles, furniture, fixtures and office equipment, leasehold improvements as well as construction in progress. As at 31 December 2018, 2019 and 2020 and 30 April 2021, our net book value of property, plant and equipment amounted to approximately RMB88.0 million, RMB94.8 million, RMB94.4 million and RMB92.4 million, respectively. The increase in our property, plant and equipment as at 31 December 2019 was mainly due to addition of production machinery and equipment.

#### **Right-of-use assets**

The right-of-use assets represented land use rights in the PRC held under long-term lease. As at 31 December 2018, 2019 and 2020 and 30 April 2021, right-of-use assets with a carrying amount of approximately RMB9.8 million, RMB9.5 million, RMB9.3 million and RMB9.2 million, respectively, were pledged as collateral for the Group's bank borrowings.

#### **Deposits paid for acquisition of property, plant and equipment**

As at 31 December 2018, 2019 and 2020 and 30 April 2021, our deposits paid for acquisition of property, plant and equipment amounted to approximately RMB1.8 million, RMB4.2 million, RMB1.1 million and RMB2.1 million, respectively. The increase in our deposits paid for acquisition of property, plant and equipment from approximately RMB1.8 million as at 31 December 2018 to approximately RMB4.2 million as at 31 December 2019 mainly represented the deposit paid for the acquisition of brush filling machines.

#### **Pledged bank deposits**

The pledged bank deposits mainly represented deposits pledged to banks as security of bills payables and derivative financial instruments. As at 31 December 2018, 2019 and 2020 and 30 April 2021, our pledged bank deposits amounted to approximately RMB23.6 million, RMB21.0 million, RMB19.5 million and RMB19.8 million, respectively.

#### **Inventories**

Our inventories primarily consist of raw materials, including polypropylene resins, steel, textiles, packaging materials, work in progress and finished goods.

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The following table sets out the summary of our inventories balances as of the dates indicated:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	17,956	22,223	24,710	32,069
Packaging materials	5,978	7,356	9,853	8,954
Work in progress	4,222	13,085	16,224	25,050
Finished goods	5,867	8,785	9,265	7,876
<b>Total</b>	<b>34,023</b>	<b>51,449</b>	<b>60,052</b>	<b>73,949</b>

Our balance of inventories increased from approximately RMB34.0 million as at 31 December 2018 to approximately RMB51.4 million as at 31 December 2019, which was mainly due to the increase in raw materials and work in progress by approximately RMB4.3 million and RMB8.9 million, respectively, to cope with the expected sales to our major customers such as Casa Si Marketing — und VertriebsgmbH, one of our five largest customers during the Track Record Period, at the beginning of 2020. Our inventories as at 31 December 2020 increased to approximately RMB60.1 million, which was mainly due to the increase in raw materials and work in progress. Our inventories as at 30 April 2021 increased to approximately RMB73.9 million, which was mainly due to the increase in raw materials and work in progress by approximately RMB7.4 million and RMB8.8 million, respectively, to cope with the expected sales to our major customers such as Casa Si Marketing — und VertriebsgmbH, in the second and third quarters of 2021.

The following table sets out a summary on the aging analysis of inventories as at the dates indicated:

	As at 31 December			As at 30 April	Subsequent utilisation up to the Latest Practicable Date
	2018	2019	2020	2021	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Within 30 days	13,644	25,266	31,686	36,252	32,933
31 to 90 days	8,118	9,563	19,087	19,880	17,273
91 to 180 days	6,186	6,572	4,668	13,183	9,988
181 to 365 days	3,740	6,313	1,721	3,220	1,833
Over 365 days	2,335	3,735	2,890	1,414	629
	<b>34,023</b>	<b>51,449</b>	<b>60,052</b>	<b>73,949</b>	<b>62,656</b>

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We periodically review our inventory levels to identify inventories that are slow-moving, obsolete or have declined in market value. Our Directors consider that no provision was made for inventories aged over 90 days during the Track Record Period because (i) substantial portion of such inventories aged over 90 days were raw materials such as polypropylene resins and steel, and packaging materials, which would unlikely become obsolete due to their long life cycle and durability; (ii) our products are common household necessity products which are necessary to keep a house running smoothly and provide comfort and hygiene to users and the demands for which are not materially affected by economic cycle; and (iii) there was no write-down of inventories resulting from the net realisable value of inventories falling below the cost or from any of the inventories being identified as obsolete or slow-moving during the Track Record Period.

The following table sets out the average inventory turnover days for the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April
	2018	2019	2020	2021
	Average inventory turnover days <sup>(Note)</sup>	46	64	75

*Note:* Average inventory turnover days are calculated based on the average balance of inventories divided by costs of sales for the relevant year/period and multiplied by the number of days in the relevant year/period. Average balance is calculated as the average of the beginning balance and ending balance of a given year/period.

Our average inventory turnover days was approximately 46 days, 64 days, 75 days and 88 days, respectively, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021. The increase in our inventory turnover days to approximately 64 days for the year ended 31 December 2019 was mainly due to the increase in inventories as at 31 December 2019. The increase in average inventory turnover days for the year ended 31 December 2020 was mainly due to the increase in work in progress to cope with the expected sales to our major customers such as Casa Si Marketing — und VertriebsgmbH, which is one of our five largest customers during the Track Record Period, at the beginning of 2021. The increase in inventory turnover days for the four months ended 30 April 2021 was mainly due to the increase in work in progress to cope with the expected sales for the second and third quarters of 2021 to our major customers such as Casa Si Marketing — und VertriebsgmbH.

As at the Latest Practicable Date, approximately RMB62.7 million, representing 84.7% of our inventories as at 30 April 2021, were subsequently used.

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### Trade and other receivables

The following table sets forth a breakdown of our Group's trade and other receivables as at 31 December 2018, 2019 and 2020 and 30 April 2021:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	67,320	61,049	79,782	79,868
Less: ECL allowance	(275)	(356)	(297)	(174)
	<u>67,045</u>	<u>60,693</u>	<u>79,485</u>	<u>79,694</u>
Derivative financial instruments	4	1,053	1,576	809
Prepayments	3,032	8,851	8,944	5,719
Prepaid listing expenses	—	2,200	3,300	3,671
Other receivables	2,710	2,807	1,973	1,820
VAT recoverable	2,428	5,285	2,951	3,345
	<u>8,174</u>	<u>20,196</u>	<u>18,744</u>	<u>15,364</u>
<b>Total</b>	<b><u>75,219</u></b>	<b><u>80,889</u></b>	<b><u>98,229</u></b>	<b><u>95,058</u></b>

### Trade receivables

Our trade receivables primarily consisted of trade receivables arising from sales of products to our customers. Our net trade receivables decreased from approximately RMB67.0 million as at 31 December 2018 to approximately RMB60.7 million as at 31 December 2019, which was mainly due to more settlement from our customers around the end of 2019. Our net trade receivables increased from approximately RMB60.7 million as at 31 December 2019 to approximately RMB79.5 million as at 31 December 2020, which was mainly due to more sales were made in the year end of 2020. Our trade receivable remained relatively stable at approximately RMB79.5 million and approximately RMB79.7 million at 31 December 2020 and 30 April 2021, respectively.

The following table sets out an ageing analysis of our trade receivables, net of ECL allowance, presented based on the invoice dates (or date of revenue recognition if earlier):

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	37,038	30,464	30,755	37,787
31 to 60 days	12,246	17,695	26,707	25,840
61 to 90 days	10,339	12,050	15,483	12,676
91 to 180 days	4,600	468	6,526	3,296
181 to 365 days	2,822	16	14	95
	<u>67,045</u>	<u>60,693</u>	<u>79,485</u>	<u>79,694</u>



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The following table sets out an ageing analysis of our trade receivables, net of ECL allowance, presented based on the due dates:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	48,195	55,547	73,359	62,572
Less than 90 days past due	13,725	5,096	6,112	16,943
Over 90 days past due	5,125	50	14	179
	67,045	60,693	79,485	79,694

In determining the allowance for trade receivables, our management takes into account the credit history including default or delay in payments, settlement records, subsequent settlements, aging analysis of the trade receivables, existing market conditions and forecasts of future economic conditions.

The following table sets out the average trade receivables turnover days for the years and period indicated:

	For the year ended 31 December			For the four months ended
	2018	2019	2020	30 April
	2018	2019	2020	2021
Average trade receivables turnover days <sup>(Note)</sup>	67	70	67	76

*Note:* Average trade receivables turnover days are calculated based on the average of the beginning and ending gross balance of trade receivables for the year/period divided by the revenue for the year/period and multiplied by the number of days in the year/period.

We generally grant a credit period between 0 to 100 days to our customers. Our trade receivables turnover days were relatively stable at 67 days, 70 days, 67 days and 76 days, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, respectively, of which those were in line with our general credit period granted. Our finance department shall closely review the aging analysis of our trade receivables on a monthly basis. Our sales team is responsible for monitoring the collectability of such receivables of our customers and shall actively follow up with the relevant customers in case of any delay in payment. Our sales department and finance department shall have a meeting together to discuss the overdue trade receivables and find out the corresponding solutions on a monthly basis. If necessary, certain

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overdue trade receivables will be reported to the deputy general manager. As at the Latest Practicable Date, approximately RMB16.9 million, or 98.8%, of our overdue trade receivables as at 30 April 2021 had been subsequently settled.

Our Group measures loss allowances for trade receivables at an amount equal to lifetime ECL. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. For details of credit risk and ECL for trade receivables, please refer to Note 20 and Note 33.4 to the Accountants' Report set out in Appendix I to this prospectus.

As at 31 December 2018, 2019 and 2020 and 30 April 2021, we had ECL allowance of approximately RMB0.3 million, RMB0.4 million, RMB0.3 million and RMB0.2 million for the trade receivables due from the customers. Considering (i) the trade receivables balances were due from customers with ongoing business relationship with our Group; (ii) there were no on-going disputes with such customers; (iii) our long-term business relationship with these customers; and (iv) these customers had been making continuous repayment to our Group and their historical repayment pattern were generally consistent during the Track Record Period, our Directors are of the view that adequate expected loss provision has been made.

As at Latest Practicable Date, approximately RMB79.2 million, representing 99.3% of our trade receivables as at 30 April 2021, were subsequently settled.

### *Derivative Financial Instruments*

Derivative financial instruments represented certain US\$/RMB forward foreign exchange contracts entered into by our Group with banks which were classified as held for trading and not under hedge accounting.

As at 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, the derivative financial instruments were secured by pledged bank deposits of approximately RMB6.9 million, RMB6.4 million, RMB1.2 million and RMB1.8 million, respectively.

### *Prepayments and other receivables*

Prepayments and other receivables mainly represented our prepayments for purchasing equipment, raw materials and other expenses, and VAT recoverable. Our prepayments and other receivables amounted to approximately RMB8.2 million, RMB19.1 million, RMB17.2 million and RMB14.6 million respectively, during the Track Record Period. The increase in prepayments and other receivables to approximately RMB19.1 million as at 31 December 2019 was mainly due to (i) the increase in prepayment to our major suppliers of approximately RMB3.9 million for

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securing the suppliers of polypropylene resins; and (ii) the incurrence of the prepaid Listing expenses in 2019. The decrease in prepayments and other receivables from approximately RMB17.2 million as at 31 December 2020 to approximately RMB14.6 million as at 30 April 2021 was mainly due to the decrease in prepayments to our suppliers, which are mainly our suppliers of polypropylene resins, from approximately RMB4.5 million as at 31 December 2020 to approximately RMB0.3 million as at 30 April 2021.

The increase in prepayment to our major suppliers of approximately RMB3.9 million in 2019 was due to the facts that (i) we could negotiate more favourable price of polypropylene resins with some of our major suppliers if we made advance payment; (ii) polypropylene resins are one of our major raw materials which we commonly consume in our production; and (iii) our preventive measure to minimise any potential negative impact on our supply chain resulting from the COVID-19 outbreak after we noticed that a number of infected cases were identified and reported in Hubei Province in late 2019.

### *VAT recoverable*

VAT recoverable mainly represented the VAT refund in relation to export sales and the input VAT generated from our purchase. The balance increased from approximately RMB2.4 million as at 31 December 2018 to approximately RMB5.3 million as at 31 December 2019, which was mainly to due to the increase in input VAT balance resulting from the purchase of machinery and production equipment of approximately RMB14.8 million in 2019. Our VAT recoverable decreased to approximately RMB3.0 million as at 31 December 2020, which mainly due to the settlement of tax rebate in relation to the export sales in November 2020 before the year end while the balance as at 31 December 2019 mainly included the tax rebate in relation to the export sales in November and December 2019. Our VAT recoverable remained relatively stable at approximately RMB3.3 million as at 30 April 2021.

### **Financial assets at FVOCI**

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity investment, at fair value	1,578	1,643	2,114	1,835

This represented investment in an unlisted private entity, Deqing County Business Guarantee Co Ltd\* (德清縣商務融資擔保有限公司), which was incorporated in the PRC and principally engaged in provision of financing guarantee. Our Group designated its investment in the unlisted equity investment as FVOCI (non-recycling), as this investment is held for the strategic purpose.

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The dividend income received related to the unlisted equity investments, which was credited to profit or loss as other income, for the years ended December 2018, 2019 and 2020 and the four months ended 30 April 2021 were approximately RMB0.3 million, RMB0.2 million, RMB0.2 million and RMB0.2 million, respectively.

### Financial assets at FVTPL

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Units in investment funds, at fair value	4,412	—	—	—
Unlisted wealth management products, at fair value	15,303	24,820	6,211	6,224
	19,715	24,820	6,211	6,224

The carrying amounts of the above financial assets are classified as held for trading and are mandatorily measured at FVTPL in accordance with HKFRS 9. The wealth management products are issued by financial institutions in which the principal amount and investment return are unsecured, unguaranteed and carry at a variable rate of return based on the performance of underlying investment portfolio.

Units in investment funds represented our investment in two funds, which we subscribed through a commercial bank. We disposed our investment in such funds in 2019.

Unlisted wealth management products represented wealth management plans which were managed by licensed financial institutions in the PRC. The carrying amounts of such increased from approximately RMB15.3 million as at 31 December 2018 to approximately RMB24.8 million as at 31 December 2019, which was mainly due to our investment in a new wealth management plan during the year. We made investment in such wealth management products in 2019 primarily for the purpose of gaining higher investment returns than the fixed rate returns from cash deposits at banks during the year. As at 31 December 2020, the carrying amounts decreased to approximately RMB6.2 million, which was mainly due to (i) the early redemption of part of our investment in a wealth management product issued by Bank of Hangzhou, which the principal amount decreased from approximately RMB16.2 million as at 31 December 2019 to approximately RMB6.2 million as at 31 December 2020 and (ii) the disposal of a wealth management product issued by Agricultural Bank of China with principal amount of RMB8.5 million during the year. As at 30 April 2021, the carrying amounts remained relatively stable at approximately RMB6.2 million.

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The wealth management contracts were generally described as having low risks in the product description manuals published by the issuing banks. The following table sets out the material terms of our wealth management products during the Track Record Period:

Issuing bank	Principal amount/Costs				Risk level	Principal-protected	Expected return	Maturity dates
	For the years ended 31 December			For the four months ended 30 April				
	2018	2019	2020	2021				
	RMB'000	RMB'000	RMB'000	RMB'000				
1. Bank of China	3,000	—	—	—	Moderately Low	Not principal guaranteed	3.00%	Redeemable upon request
2. Agricultural Bank of China	8,500	8,500	—	—	Moderately Low	Not principal guaranteed	3.55%	25 June 2020
3. Bank of Hangzhou	—	16,249	6,249	6,224	Low	Not principal guaranteed	3.10%	31 December 2023
4. Bank of Hangzhou	3,900	—	—	—	Moderately Low	Not principal guaranteed	4.35%	31 October 2027

### ***Our treasury and investment policy***

We have adopted a treasury and investment policy to monitor and control risks relating to our investment activities, which includes the following measures:

- (i) Our investments shall complement our development strategies, be of an appropriate scale, and shall not affect our principal business operations;
- (ii) Our investments shall comply with relevant laws and regulations;
- (iii) Our treasury and investment department is responsible for execution and implementation of treasury investment, reviewing and reporting to the Board;
- (iv) We evaluate the risks associated with the underlying financial instruments based on the risk classification provided by the issuing licensed commercial banks. We are not allowed to invest in investment products of high risk levels; and

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## FINANCIAL INFORMATION

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- (v) Our management shall consider, on a case-by-case basis, among other things, prior to making an investment, the allocation of resources across our various investments, the risk level of the product, the creditworthiness of the issuer, the estimated investment return, market acumen, liquidity requirement of our Group and compliance requirement of our Group. Our investment portfolio and policies are reviewed by our management on a regular basis.

### *Valuation of our financial assets categorised within level 3*

We have invested in wealth management products issued by banks for short-term cash flow and treasury management purposes, mainly including variable-income based wealth management products, and the unlisted equity investment for strategic purpose during the Track Record Period which were categorised under the level 3 fair value measurement regarding HKFRS 13. Our Directors are aware of and have complied with the “Guidance note on directors” duties in the context of valuations in corporate transactions” issued by the SFC on 15 May 2017. The fair value of our Group’s unlisted wealth management products and the unlisted equity investment during the Track Record Period have been arrived at on the basis of valuation carried out by AVISTA Valuation Advisory Limited (“AVISTA”), an independent professional qualified valuer.

The fair value of unlisted wealth management products was determined by discounted cash flow model based on the expected rate of return stated in each product’s manual. Each product’s expected rate of return was not guaranteed and depended on the market price of its underlying financial instruments. In relation to the valuation of the variable-income based wealth management products, our Directors (i) reviewed each product’s product manual; (ii) reviewed the valuation report provided and the basis applied by AVISTA; and (iii) determined if the fair value measurement of Level 3 financial instruments is in compliance with the applicable HKFRSs. Based on the above procedures, our Directors are of the view that the valuation is reasonable, and the related disclosure in the financial statements of our Group are properly prepared.

The fair value of unlisted private entity was determined by market comparable approach. In relation of the valuation of the unlisted equity investment, our Directors (i) reviewed the valuation report provided and the available market information of comparable companies provided by AVISTA; (ii) reviewed the basis applied by AVISTA including but not limited to the discount for lack of marketability; and (iii) determined if the fair value measurement of Level 3 financial instruments is in compliance with the applicable HKFRSs. Based on the above consideration, our Directors are of the view that the valuation is fair and reasonable and the related disclosure in the financial statements of our Group are properly prepared.

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Grant Thornton Hong Kong Limited, our reporting accountants, have reviewed the valuations of the financial assets categorised within level 3 for the purpose of expressing their audit opinion on the Historical Financial Information of our Group. Details of the fair value measurement of our level 3 financial instruments, particularly the fair value hierarchy and the valuation techniques are disclosed in note 33.7(ii) to the Accountants' Report attached as Appendix I to this prospectus in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The reporting accountants' opinion on the Historical Financial Information of our Group for the Track Record Period as a whole is set out on I-2 of the Appendix I of this prospectus.

In relation to the valuation analysis on our Group's financial assets categorised within level 3, the Sole Sponsor conducted relevant due diligence work, including but not limited to (i) review of the relevant notes in the Accountants' Report attached as Appendix I to this prospectus; (ii) review of the wealth management product manuals of our Group; (iii) engagement of independent search agent to conduct background search on the unlisted private entity; (iv) discussion with our Company, the reporting accountants and AVISTA about the key basis and assumptions for the valuation of its financial assets categorised within level 3; and (v) discussion with the reporting accountants in respect of the audit procedures they have conducted and their concurring views on the valuation methodologies, assumptions and results. Having considered the work done by and the views of our Directors and the reporting accountants, and the due diligence performed, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed by our Company and AVISTA, and reviewed by the reporting accountants.

### **Amounts due from related parties**

As at 31 December 2018, 2019 and 2020 and 30 April 2021, the amounts due from related parties were approximately RMB38.8 million, RMB0.1 million, RMB50,000 and RMB50,000, respectively. The amounts due from related parties were unsecured, interest-free, repayable on demand and non-trade nature. The outstanding balance has been settled prior to the Listing.

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### Trade and other payables

The following table sets forth the components of our trade and other payables as at the dates indicated:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Trade and bills payables</b>				
Trade payables	34,016	42,025	48,161	40,549
Bills payables	62,439	45,537	59,105	58,331
	<u>96,455</u>	<u>87,562</u>	<u>107,266</u>	<u>98,880</u>
<b>Other payables and accruals</b>				
Accrued listing expenses	—	1,632	960	2,527
Accrued expenses and other payables	910	964	1,045	934
Payable for purchase of property, plant and equipment	1,109	534	1,383	444
Staff costs and welfare accruals	5,740	7,288	7,288	6,263
Other tax payables	491	868	774	1,016
	<u>8,250</u>	<u>11,286</u>	<u>11,450</u>	<u>11,184</u>
<b>Total</b>	<b><u>104,705</u></b>	<b><u>98,848</u></b>	<b><u>118,716</u></b>	<b><u>110,064</u></b>

### *Trade and bills payables*

Our trade and bills payables primarily consisted of the amount due to our suppliers for our raw materials and plastic injection moulding service. Our trade and bills payables decreased from approximately RMB96.5 million as at 31 December 2018 to approximately RMB87.6 million as at 31 December 2019, which was mainly due to the combined effect of (i) the increase in the balance of trade payables which was in line with the increase in our purchase of raw materials during the year; and (ii) the decrease in the balance of bills payables during the year. Our trade and bills payables increased to approximately RMB107.3 million as at 31 December 2020, which was mainly due to the increase in the balance of bill payables for the year/period. Our trade and bills payable decreased to RMB98.9 million as at 30 April 2021, which was due to the settlement of trade payables.



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We are generally granted by suppliers a credit period of 0 to 60 days and the bills payables have a maturity period of 90 to 180 days. The following table sets forth an ageing analysis of trade and bills payables presented based on the invoice dates or issuance date at the end of each reporting year:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	38,238	35,955	32,686	34,321
31 days to 60 days	12,631	17,462	23,905	16,820
61 days to 90 days	17,525	6,045	17,223	15,079
91 days to 180 days	27,307	26,956	32,283	32,161
181 days to 365 days	539	136	294	56
Over 365 days	215	1,008	875	443
	<u>96,455</u>	<u>87,562</u>	<u>107,266</u>	<u>98,880</u>

The following table sets forth the average trade payables turnover days for the years/period indicated:

	For the year ended 31 December			For the four months ended
	2018	2019	2020	30 April
	2018	2019	2020	2021
Average trade payables turnover days <i>(Note)</i>	58	57	61	58

*Note* : Average trade payables turnover days are calculated based on the average trade payables as at the respective year/period, divided by the cost of sales for the relevant year/period and multiplied by the number of days in the relevant year/period.

Our trade payables turnover days were relatively stable at approximately 58 days, 57 days, 61 days and 58 days for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, which were generally in line with the credit terms granted by our suppliers.

As at the Latest Practicable Date, approximately RMB38.6 million, representing approximately 95.2% of our trade payables as at 30 April 2021, were subsequently settled.

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### *Other payables and accruals*

Our other payables and accruals mainly represented accrued staff cost, accrued expenses, payables for purchase of property, plant and equipment and other tax payables. Our other payables and accruals increased from approximately RMB8.3 million as at 31 December 2018 to approximately RMB11.3 million as at 31 December 2019, which was primarily attributable to (i) the increase in accrued staff cost; and (ii) the occurrence of accrued Listing expenses as at 31 December 2019. Our other payables and accruals remained relatively stable at approximately RMB11.5 million and RMB11.2 million, respectively, as at 31 December 2020 and 30 April 2021.

### **Income tax payables**

Our income tax payables increased from approximately RMB22.1 million as at 31 December 2018 to approximately RMB24.4 million as at 31 December 2019, which was mainly due to the increase in income tax expense resulting from the increase in assessable profits. Our income tax payables decreased to approximately RMB21.5 million as at 31 December 2020, which was mainly due to the higher income tax paid during the year. Our income tax payables of approximately RMB23.0 million was relatively stable as at 30 April 2021.

### **CAPITAL EXPENDITURE**

During the Track Record Period, our capital expenditures principally consisted of expenditures on property, plant and equipment. We incurred cash flows on capital expenditures for the purchase of property, plant and equipment in the amounts of approximately RMB17.2 million, RMB22.3 million, RMB10.6 million and RMB2.2 million, respectively, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021.

Please also refer to the paragraphs headed “Business — Production facility” for further information regarding our machinery and equipment.

### **COMMITMENTS**

#### **Lease commitments**

As at 31 December 2018, 2019 and 2020 and 30 April 2021, our lease commitments for short-term leases as follows:

	<b>As at 31 December</b>			<b>As at 30 April</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	90	107	429	263

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### Capital commitments

As at 31 December 2018, 2019 and 2020 and 30 April 2021, our capital commitments were as follows:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for property, plant and equipment	153	—	733	1,641

### CONTINGENT LIABILITIES

As at 31 December 2018, 2019 and 2020 and 30 April 2021, we did not record any significant hire purchase commitment, contingent liabilities, guarantee or any litigation against us. We confirm as at the Latest Practicable Date that there have been no material changes to our contingent liabilities.

### SUBSEQUENT EVENTS

For significant events that took place subsequent to 30 April 2021, please refer to “Recent developments and no material adverse change” in this section and note 35 of the Accountants’ Report in Appendix I in this prospectus.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

As at the Latest Practicable Date, our Group had not entered into any material off-balance sheet commitments and arrangement.

### PROPERTY INTEREST AND PROPERTY VALUATION

Our property Valuer, AVISTA Valuation Advisory Limited, has valued our Group’s property as at 31 August 2021 at RMB98,432,000. Details of the valuation are summarised in Appendix III to this prospectus.

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The following table sets out a reconciliation of the fair value of our Group’s property interest as at 31 August 2021 to their net book value as at 30 April 2021, details of which is set out in notes 13 and 14 of the Accountants’ Report in Appendix I to this prospectus for further details:

	<i>RMB’000</i>
<b>Net book value of the property as at 30 April 2021</b>	57,577
Less: Movements for the four months ended 31 August 2021	
— Depreciation and amortisation (unaudited)	(1,215)
<b>Net book value of the property as at 31 August 2021 (unaudited)</b>	56,362
Net valuation surplus	42,070
<b>Valuation as at 31 August 2021</b>	<b>98,432</b>

### MATERIAL RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in notes 24 and 32 to the Accountants’ Report in Appendix I in this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to us than terms available from Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole.

Save for the transactions between our Group with our connected parties, none of the related party transactions set out in notes 24 and 32 to the Accountants’ Report in Appendix I to this prospectus will continue after the Listing. For further details, please refer to the section headed “Continuing connected transactions” and the paragraphs headed “Business — Our suppliers — Plastic injection service providers” in this prospectus.

### KEY FINANCIAL RATIOS

The table below sets forth our selected key financial ratios during the Track Record Period:

	As at/For the year ended 31 December			As at/for the four months ended 30 April
	2018	2019	2020	2021
Gross profit margin <sup>(Note 1)</sup>	27.7%	28.1%	29.7%	27.6%
Net profit margin <sup>(Note 2)</sup>	12.5%	10.1%	12.0%	9.4%
Gearing ratio <sup>(Note 3)</sup>	24.3%	21.0%	7.9%	8.3%
Current ratio <sup>(Note 4)</sup>	1.3	1.3	1.6	1.7
Quick ratio <sup>(Note 5)</sup>	1.1	1.0	1.2	1.2
Return on equity <sup>(Note 6)</sup>	26.8%	22.0%	22.9%	16.9%
Return on assets <sup>(Note 7)</sup>	12.9%	10.8%	12.8%	9.8%
Net debt to equity ratio <sup>(Note 8)</sup>	8.8%	5.7%	Net cash	Net cash

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### Notes:

1. The gross profit margin is calculated by dividing the gross profit by the revenue for the respective year/period and multiplied by 100%.
2. The net profit margin is calculated by dividing the net profit by the revenue for the respective year/period and multiplied by 100%.
3. The gearing ratio is calculated by dividing total debt by the total equity as at the end of respective year/period and multiplied by 100%. Total debt is defined to include bank borrowings and amounts due to related parties which are in non-trade nature.
4. The current ratio is calculated by dividing total current assets by total current liabilities as at the end of the respective year/period.
5. The quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the end of respective year/period and multiplied by 100%.
6. Return on equity equals the net profit attributable to equity holders of our Company for the year/period divided by the total equity as at the end of the respective year/period and multiplied by 100%. Return on equity for the four months ended 30 April 2021 is calculated on an annualised basis.
7. Return on assets is calculated by the net profit attributable to equity holders of our Company for the year/period divided by the total assets as at the end of the respective year/period multiplied by 100%. Return on assets for the four months ended 30 April 2021 is calculated on an annualised basis.
8. Net debt to equity ratio is calculated as net debts (i.e. total debt net of cash and cash equivalents) divided by total equity and multiplied by 100%.

### **Gross profit margin**

Our gross profit margin was approximately 27.7%, 28.1%, 29.7% and 27.6% during the Track Record Period. Please refer to the paragraphs headed “Financial information — Period to period comparison of results of operations” in this section for details of our gross profit margin.

### **Net profit margin**

Our net profit margin was approximately 12.5%, 10.1%, 12.0% and 9.4% during the Track Record Period. The decrease in net profit margin to approximately 10.1% for the year ended 31 December 2019 was mainly due to the incurrence of the Listing expenses, which were one-off in nature. Please refer to the paragraphs headed “Financial information — Period to period comparison of results of operations” in this section for details of our net profit margin.

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### **Gearing ratio**

Our gearing ratio decreased from approximately 24.3% as at 31 December 2018 to approximately 21.0% as at 31 December 2019, primarily due to the decrease in amounts due to related parties and the increase in our total equity. Our gearing ratio decreased from approximately 21.0% as at 31 December 2019 to approximately 7.9% as at 31 December 2020 primarily due to the decrease in amount due to related parties and bank borrowings and the increase in our total equity. Our gearing ratio remained relatively stable at approximately 8.3% as at 30 April 2021.

### **Current ratio**

Our current ratio remained stable at approximately 1.3 times and 1.3 times, respectively, as at 31 December 2018 and 2019. Our current ratio increased from approximately 1.3 times as at 31 December 2019 to approximately 1.6 times as at 31 December 2020 mainly due to the increase in cash and cash equivalents. Our current ratio remained stable at approximately 1.7 times as at 30 April 2021.

### **Quick ratio**

Our quick ratio was approximately 1.1 times, 1.0 time, 1.2 times and 1.2 times during the Track Record Period. Our quick ratio decreased from approximately 1.1 times as at 31 December 2018 to approximately 1.0 time as at 31 December 2019 mainly due to the increase in our inventories during the year. Our quick ratio increased from approximately 1.0 time as at 31 December 2019 to approximately 1.2 times as at 31 December 2020 mainly due to the increase in cash and cash equivalents. Our quick ratio remained relatively stable at approximately 1.2 times as at 30 April 2021.

### **Return on equity**

Our return on equity decreased from approximately 26.8% for the year ended 31 December 2018 to approximately 22.0% for the year ended 31 December 2019, which was mainly due to the Listing expenses incurred during the year. Our return on equity remained relatively stable at approximately 22.9% for the year ended 31 December 2020. Our return on equity decreased to approximately 16.9% for the four months ended 30 April 2021, on an annualised basis, mainly due to the decrease in net profit for the four months ended 30 April 2021.

### **Return on assets**

Our return on assets decreased from approximately 12.9% for the year ended 31 December 2018 to approximately 10.8% for the year ended 31 December 2019, primarily due to the Listing expenses incurred during the year. Our return on assets increased from approximately 10.8% for

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the year ended 31 December 2019 to approximately 12.8% for the year ended 31 December 2020, mainly due to the increase in net profit for the year ended 31 December 2020. Our return on assets decreased to approximately 9.8% for the four months ended 30 April 2021, on an annualised basis, mainly due to the decrease in net profit for the four months ended 30 April 2021.

### Net debt to equity ratio

Our net debt to equity ratio decreased from approximately 8.8% as at 31 December 2018 to approximately 5.7% as at 31 December 2019. Such decrease was mainly due to the decrease in amount due to related parties as at 31 December 2019. We recorded net cash position as at 31 December 2020 and 30 April 2021.

## FINANCIAL RISK MANAGEMENT

During our conduct of business, we are exposed to various types of market risks including foreign currency risk, interest rate risk, credit risk and liquidity risk.

Details of the risks to which we are exposed to are set out in note 33 to the Accountants' Report set out in Appendix I to this prospectus.

## DISTRIBUTABLE RESERVES

As at the Latest Practicable Date, our Company has no distributable reserves available for distribution to our Shareholders.

## DIVIDENDS

For the year ended 31 December 2019, RMB31.5 million dividends has been declared and paid by Grand Resources to its then shareholders, which was credited to current accounts with the then shareholders. The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospect, capital requirements, and economic outlook. Declaration and payment of dividends is also subject to any applicable laws and the Articles of Association. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future. Currently, our Group does not have a fixed dividend policy and does not have a predetermined dividend distribution ratio.

After completion of the Global Offering, while we currently have no plans to pay dividends to the Shareholders in the foreseeable future, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend

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or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant. We will re-evaluate our dividend policy annually. Our Board has the discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

### LISTING EXPENSES

The total estimated Listing expenses in connection with the Global Offering are approximately RMB45.2 million (equivalent to approximately HK\$51.5 million), representing approximately 37.5% of the gross proceeds from the Global Offering (based on the mid-point of the Offer Price of HK\$1.1 per Offer Share and assuming no Over-allotment Option will be exercised), of which approximately RMB6.0 million (equivalent to approximately HK\$6.8 million), approximately RMB7.7 million (equivalent to approximately HK\$8.8 million) and approximately RMB1.2 million (equivalent to approximately HK\$1.4 million) were charged to profit or loss for the years ended 31 December 2019 and 2020 and for the four months ended 30 April 2021, respectively, and additional amounts of approximately RMB11.1 million (equivalent to approximately HK\$12.7 million) is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2021, and the remaining amount of approximately RMB19.2 million (equivalent to approximately HK\$21.8 million) is expected to be accounted for as a deduction from equity upon the Listing.

Our Directors consider that our financial results will be affected by the expenses in relation to the Global Offering as we expect to recognise approximately RMB12.3 million (equivalent to approximately HK\$14.1 million) in the consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2021. Accordingly, the financial performance for the year ending 31 December 2021 is expected to be adversely affected by (i) the estimated expenses in relation to the Listing; and (ii) the expenses to be incurred after the Listing such as Directors' fee and legal and professional fees.

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For details of our unaudited pro forma adjusted consolidated net tangible assets, please refer to the section headed "Unaudited pro forma financial information" in Appendix II to this prospectus.



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### RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our business model had remained unchanged since the end of the Track Record Period and up to the Latest Practicable Date. We have been (i) adjusting and enriching our product portfolio according to the prevailing circumstances and consumers' demand to ensure that we would remain the supplier of choice of our customers and could cope well with the ever-changing market conditions; and (ii) actively expanding our business operations in different markets, especially in PRC, such that we would become less vulnerable to unfavourable developments that may arise from time to time in any specific market. Since May 2020, our Group began selling household necessity products under our own brands in the United Kingdom.

Up to the Latest Practicable Date, we had confirmed sales orders of approximately RMB296.5 million, which are delivered after the Track Record Period. Of those sales orders, approximately RMB145.6 million was completed from May to August 2021, and approximately RMB150.9 million is expected to be completed for the year ending 31 December 2021.

Nearly all of our Group's products sold to the United States appear to fall under List 4A or List 3 which is subject to an additional duty of 7.5% or 25%. Only one type of product (window cleaning set) was under List 4B, of which as at the Latest Practicable Date, additional duty is currently suspended. As at the Latest Practicable Date, our Directors confirm that we have not been asked to reduce the selling price of our products which fall into the ambit of List 3 or List 4A or List 4B or to bear any of such duty for which our customers was responsible. Regarding our products sold to the United States, which are under List 3 (i.e. 25% duty rate), List 4A (i.e. 7.5% duty rate) and List 4B (i.e. 7.5% duty rate which is, as at the Latest Practicable Date, suspended), our Directors are of the view that the demand and the average selling prices of these products will not be materially and adversely affected. For further details, please refer to the section headed "Business — Impact of the trade war on our business" in this prospectus.

Following the outbreak of COVID-19 in the PRC and globally, the major markets for our products including the United States, the United Kingdom, Germany and Australia had been affected by the COVID-19 pandemic. Since the outbreak of COVID-19 globally and up to the Latest Practicable Date, the governments in these countries had implemented various measures to prevent further spread of the pandemic whereby our export sales to these countries may be adversely affected due to city lockdown and restrictions on logistics and transportation. Our Directors expect that the impact of COVID-19 outbreak on the household necessity market in these countries is short term on the basis that (i) the demand for household necessity products is less affected as they are necessary items for all households; (ii) the increased popularity of online shopping by consumers which allows them to buy household necessary products online in the event of closure of physical stores following the lockdown measures; (iii) recent breakthrough in the development and use of vaccines for preventing and curing COVID-19 infections by well-established international pharmaceutical companies; and (iv) the overall decreasing trend of

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## FINANCIAL INFORMATION

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daily new confirmed cases in the United States, United Kingdom and Germany since January 2021 despite there were surges in daily new confirmed cases from time to time and the emergence of COVID-19 variants and (v) the easing of national partial lockdown measures in the United Kingdom since mid-July 2021.

For details of the potential impact of the COVID-19 outbreak on our Group, please refer to the paragraphs headed “Risk factors — Risks relating to our business — Our business operations and financial results may be adversely affected by the recent global outbreak of COVID-19” and “Business — Impact of the outbreak of COVID-19” in this prospectus.

Our Directors are of the view that the potential impact of the outbreak of COVID-19 on our Group’s business operations and financial conditions is only temporary and short-term. Notwithstanding that, our Directors’ assessment of the impact is based on information available up to the Latest Practicable Date and hence, our Directors’ assessment may change over time along further spread of the COVID-19 infection, the measures implemented by the various governments to control its spread and the effectiveness of the treatment of COVID-19 infection.

Saved as disclosed in the paragraph headed “Listing expenses” in this section, our Directors confirmed that since 30 April 2021 and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operating position; (ii) there was no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I in this prospectus.

### **DISCLOSURE REQUIRED UNDER THE LISTING RULES**

As at the Latest Practicable Date, our Directors confirm that there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.