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POST HEARING INFORMATION PACK OF

MS GROUP HOLDINGS LIMITED
萬成集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

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MS GROUP HOLDINGS LIMITED

萬成集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED] ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF [REDACTED]

Number of [REDACTED]	**:**	**[REDACTED] Shares**
Number of [REDACTED]	**:**	**[REDACTED] Shares (Subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (Subject to reallocation)**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] and not less than HK$[REDACTED] per [REDACTED] (payable in full on application and subject to refund, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)**
Nominal value	**:**	**HK$[0.10] per Share**
Stock code	**:**	**[REDACTED]**

Sponsor

第一上海 FIRST SHANGHAI GROUP

First Shanghai Capital Limited

[REDACTED]

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Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk factors" in this document.

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EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO INVESTORS

You should rely only on the information contained in this document and the relevant [REDACTED] to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this document and the relevant [REDACTED]. Any information or representation not made in this document and the relevant [REDACTED] must not be relied upon by you as having been authorised by our Company, the Sponsor, the [REDACTED], the [REDACTED], any of the [REDACTED], any of their respective directors, officers, employees, agents, representatives or affiliates or any other person or party involved in the [REDACTED].

Page

EXPECTED TIMETABLE i

CONTENTS iv

SUMMARY 1

DEFINITIONS 16

GLOSSARY OF TECHNICAL TERMS 28

FORWARD-LOOKING STATEMENTS 30

RISK FACTORS 31

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES 55

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED] 56

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED] 60

CORPORATE INFORMATION 65

INDUSTRY OVERVIEW 67

REGULATORY OVERVIEW 77

HISTORY, REORGANISATION AND CORPORATE STRUCTURE 106

BUSINESS 115

CONTENTS

Page

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS 173

CONNECTED TRANSACTIONS 178

DIRECTORS AND SENIOR MANAGEMENT 193

SHARE CAPITAL 206

SUBSTANTIAL SHAREHOLDERS 209

FINANCIAL INFORMATION 210

FUTURE PLANS AND [REDACTED] 255

[REDACTED] 261

STRUCTURE AND CONDITIONS OF THE [REDACTED] 270

HOW TO APPLY FOR THE [REDACTED] 275

APPENDIX I — ACCOUNTANT'S REPORT I-1

APPENDIX II — UNAUDITED [REDACTED] FINANCIAL INFORMATION II-1

APPENDIX III — SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW III-1

APPENDIX IV — STATUTORY AND GENERAL INFORMATION IV-1

APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION V-1

SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed "Risk factors" in this document. You should read the section carefully before you decide to invest in the [REDACTED]. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of technical terms" in this document.

OVERVIEW OF OUR BUSINESS

We produce and sell plastic bottles and baby feeding accessories. Our two business segments are:

(i) OEM Business: the production and sales of plastic bottles and cups for infants and toddlers and plastic sports bottles on an OEM basis predominately for the overseas markets, particularly the United States in terms of export value; and

(ii) Yo Yo Monkey Business: the production and sales of infant and toddler products, particularly plastic bottles and cups, under our "Yo Yo Monkey (優優馬騮)" brand principally for the PRC market.

During the Track Record Period, our two largest OEM Business customers were (i) TOMY, a leading company in the toy industry, whose parent company is listed on the Tokyo Stock Exchange; and (ii) Customer A, a company incorporated in the United States and is primarily engaged in the sales of its sports bottle brand which is sold internationally, particularly the sales of shaker bottles through various renowned retail chains in the United States. According to the Euromonitor Report, (i) we had a market share of approximately 3.3% of the total export value of plastic bottles and baby feeding accessories from Hong Kong and the PRC to the United States in 2017; and (ii) we ranked first among the plastic bottles and baby feeding accessories OEM manufacturers in terms of export value from Hong Kong and the PRC to the United States in 2017.[Note]

We are headquartered in Hong Kong and our Production Base is located in Shaoguan City, Guangdong Province, the PRC (中國廣東省韶關市). We commenced our OEM Business in 2007 and we are capable of offering our OEM Business customers a range of manufacturing services including, mould building, injection and blow moulding processes, physical testing, graphic design, general assembly and packaging. While our OEM business has been predominately for the overseas markets, in view of the business potentials of the infant and toddler product market in the PRC, we launched our Yo Yo Monkey Business in 2012 targeting the domestic market in the PRC with our own "Yo Yo Monkey (優優馬騮)" brand products. We intend to further develop our Yo Yo Monkey Business in light of, among other factors, the relaxation of the one-child policy in the PRC since 2016.

Note: According to the Euromonitor Report, the United States is a major importer of plastic bottles and baby feeding accessories from Hong Kong and the PRC, the export value of plastic bottles and baby feeding accessories from Hong Kong and the PRC to the United States accounted for approximately 38.8% of that to the world at large for the year ended 31 December 2017.

The following table sets out our revenue by product categories during the Track Record Period.

	For the year ended 31 December					
	2015		2016		2017	
	HK$'000	%	HK$'000	%	HK$'000	%
OEM Business						
Plastic bottles and cups for infants and toddlers[(1)]	118,943	49.1	115,907	43.3	85,121	37.7
Plastic sports bottles	86,626	35.8	104,032	38.8	86,966	38.5
Others[(2)]	26,759	11.0	24,848	9.3	19,306	8.6
	232,328	95.9	244,787	91.4	191,393	84.8
Yo Yo Monkey Business						
Plastic bottles and cups for infants and toddlers[(1)]	7,816	3.2	18,014	6.7	20,860	9.2
Others[(3)]	2,200	0.9	5,094	1.9	13,497	6.0
	10,016	4.1	23,108	8.6	34,357	15.2
Total revenue	242,344	100.0	267,895	100.0	225,750	100.0

Notes:

(1) Plastic bottles and cups for infants and toddlers include but not limited to plastic toddler's insulated cups, semi disposable cups, plastic training cups and plastic baby feeding bottles.

(2) Others for our OEM Business mainly include other plastic products, such as plastic tableware.

(3) Others for our Yo Yo Monkey Business mainly include other infant and toddler products, such as plastic tableware and stainless steel bottles.

Our OEM Business was our principal business segment and accounted for approximately 95.9%, 91.4% and 84.8% of our total revenue for each of the years ended 31 December 2015, 2016 and 2017, respectively. The revenue of our OEM Business recorded (i) an annual growth of approximately 5.4% for the year ended 31 December 2016; and (ii) an annual decline of approximately 21.8% for the year ended 31 December 2017 primarily due to the weaker demand for our products by our two largest OEM Business customers. All of the plastic sports bottles sold under our OEM Business, representing approximately 35.8%, 38.8% and 38.5% of our total revenue, for each of the years ended 31 December 2015, 2016 and 2017, respectively, were sold to Customer A. The revenue of our Yo Yo Monkey Business recorded (i) an annual growth of approximately 131.0% for the year ended 31 December 2016; and (ii) an annual growth of approximately 48.9% for the year ended 31 December 2017.

For both of our OEM Business and our Yo Yo Monkey Business, plastic bottles and cups for infants and toddlers was our major product segment in terms of revenue for each of the years ended 31 December 2015, 2016 and 2017.

Our Group's revenue is mainly derived from customers located in the United States, the Netherlands and the PRC. Our Group's revenue by the geographical location of the customers, determined based on the domicile countries of the customers, irrespective of the destinations of the goods, is detailed below:

	For the year ended 31 December					
	2015		2016		2017	
	HK$'000	%	HK$'000	%	HK$'000	%
USA	210,517	86.9	222,958	83.2	166,548	73.8
Netherlands	15,118	6.2	15,886	5.9	8,090	3.6
PRC	12,747	5.3	23,397	8.8	47,280	20.9
Other countries	3,962	1.6	5,654	2.1	3,832	1.7
	242,344	100.0	267,895	100.0	225,750	100.0

Sales volume and average unit prices

The following table sets out the sales volume and the average unit price of our main products during the Track Record Period.

	For the year ended 31 December					
	2015		2016		2017	
Key products	Sales volume	Average unit price	Sales volume	Average unit price	Sales volume	Average unit price
	thousand pieces	HK$/ piece	thousand pieces	HK$/ piece	thousand pieces	HK$/ piece
OEM Business						
Plastic bottles and cups for infants and toddlers*(Note)*	36,991	3.2	31,520	3.7	24,856	3.4
Plastic sports bottles	5,119	16.9	6,497	16.0	4,987	17.4
Yo Yo Monkey Business						
Plastic bottles and cups for infants and toddlers*(Note)*	300	26.1	747	24.1	788	26.5

Note: Plastic bottles and cups for infants and toddlers mainly include plastic toddler's insulated cups, semi disposable cups, plastic training cups and plastic baby feeding bottles.

During the Track Record Period, the fluctuations in the average unit prices of our products were mainly due to change in product mix. The fluctuation in the average unit price of plastic bottles and cups for infants and toddlers under our OEM Business was primarily due to the change in product mix purchased by TOMY from us during the Track Record Period. The annual increase in the average unit price of plastic sports bottles under our OEM Business in the year ended 31 December 2017 was primarily due to higher unit price carried by new models developed by Customer A, which were gradually launched in 2017. For further details of average unit prices of our products, please refer to the paragraphs headed "Products — Sales volume and unit prices" in the section headed "Business" in this document.

The average unit prices of plastic bottles and cups for infants and toddlers under our Yo Yo Monkey Business were significantly higher than the prices of those under our OEM Business during the Track Record Period, which was mainly attributable to the difference in business models, including our roles, customers and product types, for these two businesses. For our Yo Yo Monkey Business, (i) we designed, developed and produced our products; (ii) our products carried our own brand; (iii) our products were directly sold to distributors and retailers; and (iv) we had the flexibility to focus on product types that could be marketed at a higher unit price and profit margin. On the contrary, for our OEM Business, (i) we mainly provided manufacturing services to our customers; (ii) our products were developed by our customers and did not carry our own brand; (iii) our products were sold in bulk to our customers who might then in turn deliver such products to their distributors and/or retailers for onward sales; and (iv) we generally did not have the power to only focus on product types with higher unit prices. The ability for us to market our products with our own brand at higher unit prices and profit margin is one of the reasons for which we commenced and continue to develop our Yo Yo Monkey Business.

For further details of our sales volume and average unit prices, please refer to the paragraphs headed "Products — Sales volume and unit prices" in the section headed "Business" in this document.

Cost of sales

Our Group's cost of sales primarily consisted of cost of raw materials, manufacturing overheads and direct labour costs. For each of the years ended 31 December 2015, 2016 and 2017, our cost of sales was approximately HK$145.3 million, HK$180.1 million and HK$146.1 million, representing approximately 60.0%, 67.2% and 64.7% of our revenue, respectively.

The following table sets out the component of our cost of sales during the Track Record Period:

	For the year ended 31 December					
	2015		2016		2017	
	HK$'000	%	HK$'000	%	HK$'000	%
Cost of raw materials	85,984	59.2	105,664	58.7	83,061	56.9
Manufacturing overheads[(1)]	26,556	18.3	37,882	21.0	32,229	22.0
Direct labour costs	27,093	18.6	29,589	16.4	23,785	16.3
Others[(2)]	5,690	3.9	6,971	3.9	6,998	4.8
	145,323	100.0	180,106	100.0	146,073	100.0

Notes:

(1) Manufacturing overheads mainly include depreciation, repair and maintenance expenses, utilities expenses, indirect labour costs and rental expenses.

(2) Others mainly include sample testing expenses.

Gross profit

The following table sets out an analysis of our gross profit and gross profit margins by business segment during the Track Record Period.

	For the year ended 31 December					
	2015		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	%	HK$'000	%	HK$'000	%
OEM Business	92,538	39.8	78,432	32.0	65,556	34.3
Yo Yo Monkey Business	4,483	44.8	9,357	40.5	14,121	41.1
Total	97,021	40.0	87,789	32.8	79,677	35.3

Our overall gross profit was approximately HK$97.0 million, HK$87.8 million and HK$79.7 million for each of the years ended 31 December 2015, 2016 and 2017, respectively. Our overall gross profit margin was approximately 40.0%, 32.8% and 35.3%, respectively. The decrease in our overall gross profit margin from 2015 to 2016 was primarily due to (i) the increase in cost of raw materials as the average procurement price of plastic resin increased in 2016 as compared with that in 2015; and (ii) the increase in manufacturing overheads due to the one-off repair and maintenance expenses incurred in 2016. The increase in gross profit margin for the year ended 31 December 2017 as compared with that for the year ended 31 December 2016 was primarily due to (i) the decrease in cost of raw materials; (ii) the decrease in manufacturing overheads due to less repair and maintenance expenses incurred in 2017; and (iii) the decrease in direct labour costs in 2017.

Utilisation rate

We manufacture plastic products and we believe moulding machines for blow and injection moulding processes are the core machineries and auxiliary equipment used for the production of our products. The utilisation rate of our moulding machines was approximately 58.7%, 62.9% and 60.2% for each of the years ended 31 December 2015, 2016 and 2017, respectively. The relatively low utilisation rates during the Track Record Period were mainly due to our reserve of production capacity given (i) the need to satisfy short-notice orders from our OEM Business customers; (ii) the need to demonstrate to our existing and potential OEM Business customers that we have sufficient and readily available capacity to handle additional orders; (iii) some of our moulding machines are specialised to perform specific production tasks and would only be utilised when such specific production needs arise; and (iv) our maintenance of production capacity for production of our "Yo Yo Monkey (優優馬騮)" brand products to cope with the fast development of our Yo Yo Monkey Business. For further details regarding the reasons of the relatively low utilisation rates during the Track Record Period, please refer to the paragraph headed "Production facilities — Utilisation rate" in the section headed "Business" in this document.

OUR CUSTOMERS

For each of the years ended 31 December 2015, 2016 and 2017, revenue from our five largest customers amounted to approximately HK$218.3 million, HK$237.7 million and HK$175.4 million, representing approximately 90.1%, 88.7% and 77.6% of our total revenue, respectively. For each of the years ended 31 December 2015, 2016 and 2017, the aggregate revenue derived from our two largest customers, namely TOMY and Customer A, accounted for approximately 81.0%, 78.4% and 68.8% of our total revenue, respectively. Despite our concentration in revenue, such concentration has been diluting since 2015 and is expected to continue to dilute, in light of:

(i) our efforts in developing businesses with existing and potential customers for our OEM Business. For instance, we commenced sales to Customer E, which is a company incorporated in the US and is a renowned corporation in the infant and toddler products industry, in 2015 and Customer E became our fourth largest customer in terms of revenue for each of the years ended 31 December 2016 and 2017; and

(ii) our efforts in developing our Yo Yo Monkey Business. Revenue from our Yo Yo Monkey Business amounted to approximately HK$10.0 million, HK$23.1 million and HK$34.4 million, which accounted for approximately 4.1%, 8.6% and 15.2% of our total revenue for each of the years ended 31 December 2015, 2016 and 2017, respectively.

For further information relating to our customer concentration and ongoing dilution efforts, please refer to the paragraphs headed "Historical concentration in revenue derived from major customers" and "Ongoing dilution in concentration in revenue derived from major customers" in the section headed "Business" in this document.

For our Yo Yo Monkey Business, customers mainly include retailers and distributors. Below is a table setting out the revenue by sales channels of our Yo Yo Monkey Business during the Track Record Period:

	For the year ended 31 December					
Sales channels	**2015**		**2016**		**2017**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Retailers	3,067	30.6	11,217	48.5	17,340	50.5
Distributors	6,107	61.0	11,173	48.4	12,942	37.7
Others *(Note)*	842	8.4	718	3.1	4,075	11.8
Total	10,016	100.0	23,108	100.0	34,357	100.0

Note: Others mainly includes sales through e-commerce platforms operated by third parties.

For further details of our customers and our Yo Yo Monkey Business distribution channels, please refer to the paragraphs headed "Sales — Our five largest customers" and "Sales channels for our Yo Yo Monkey Business" in the section headed "Business" in this document.

OUR BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

During the Track Record Period, a portion of our products were sold and/or delivered to certain Countries subject to International Sanctions, namely Lebanon, Myanmar/Burma, Russia and Ukraine on FOB or FCA basis. We are advised by our International Sanctions Legal Advisers that, among other things, the sanctions risk exposure to our Group for our activities during the Track Record Period is very low. Our revenue derived from products sold and/or delivered to the Countries subject to International Sanctions amounted to approximately HK$2.2 million, HK$2.8 million and HK$1.4 million, representing approximately 0.9%, 1.0% and 0.6% of our total revenue for each of the years ended 31 December 2015, 2016 and 2017, respectively. For further details of our business activities in Countries subject to International Sanctions, please refer to the paragraphs headed "Our business activities in Countries subject to International Sanctions" in the section headed "Business" in this document.

OUR SUPPLIERS

The principal raw materials used in our production processes are plastic resin, packaging materials and accessories which were purchased from a variety of suppliers located in Hong Kong and the PRC. These raw materials are manufactured from regions such as the US, Taiwan, the PRC and South Korea. For each of the years ended 31 December 2015, 2016 and 2017, purchases from our five largest suppliers accounted for approximately 65.3%, 58.8% and 44.5% of our total purchases, while purchases from our largest supplier, Tat Fung Industrial, which is a connected person of our Company, accounted for approximately 30.6%, 24.3% and 16.0% of our total purchases, respectively. Save for the interest held by Ms. Cheung, being the spouse of Mr. Chau, in Tat Fung Industrial, none of our Directors, their respective associates or shareholders holding more than 5% of the issued share capital of our Company had any interest in our five largest suppliers during the Track Record Period up to and including the Latest Practicable Date. For further details of our suppliers, please refer to the paragraphs headed "Suppliers" in the section headed "Business" in this document.

PRICING

In respect of our OEM Business, we primarily adopt a cost-plus pricing policy while in respect of our Yo Yo Monkey Business, when we price our products, we usually take into account the costs of our products, the general price of comparable branded products in the market and the sales capability of our customers.

PROPERTIES

During the Track Record Period and up to the Latest Practicable Date, we leased from connected persons the premises of our Production Base in the PRC and our headquarters in Hong Kong. For further details, please refer to the paragraph headed "Properties" in the section headed "Business" and the section headed "Connected transactions" in this document.

COMPETITION

In respect of our OEM Business, according to the Euromonitor Report, the plastic bottles and baby feeding accessories export industry is a mature and fragmented market. Among all the OEM manufacturers who export from Hong Kong and the PRC to the US, the top five leading OEM manufacturers represented approximately 10.3% of the total value of plastic bottles and baby feeding accessories export from the PRC and Hong Kong to the US in 2017. Such high fragmentation largely results from the low cost of production compared to other consumer goods, and the robust demand from the global market. For our Yo Yo Monkey Business, according to the Euromonitor Report, the plastic baby and toddler bottles and feeding accessories market in the PRC is mainly led by foreign brands which are perceived as being safe and have a high quality and target the high-end segment, while domestic brands generally focus on mass and the mid- to high-end market. It is expected that domestic brands will further gain market share in the future.

COMPETITIVE STRENGTHS

We believe our competitive strengths are as follows:

- We have established business relationships with internationally renowned corporations
- We possess a broad range of production capabilities
- We place great emphasis on the quality and safety of our products
- We are well positioned to capture the business opportunities from the growth in the PRC infant and toddler product market and our Yo Yo Monkey Business and OEM Business could generate synergy effect with each other
- We have an experienced management team

For further details of our competitive strengths, please refer to the paragraph headed "Competitive strengths" under the section headed "Business" in this document.

BUSINESS STRATEGIES

With the aim of further developing our business and continuing our growth, we plan to pursue the following principal business strategies:

- Expand our production capabilities and improve our competitiveness
- Further develop our Yo Yo Monkey Business
- Strengthen and expand our OEM Business customer base
- Further expand our product development capabilities

For further details of our competitive strengths, please refer to the paragraph headed "Business strategies" in the section headed "Business" in this document.

CONNECTED TRANSACTIONS

We have entered into the Lease Agreements with Kwong Fai and with Penghui, which are non-exempted continuing connected transactions and are subject to the reporting, announcement, and annual review requirements but are exempted from independent shareholders' approval requirements under Chapter 14A of the Listing Rules. We have also entered into the Master Supply Agreement with Tat Fung Industrial for the provision of printing and packaging materials, which is also a non-exempted continuing connected transaction and is subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In respect of the Lease Agreements, we have applied for waivers from strict compliance with the relevant announcement and reporting requirements during the subsistence of each of the Lease Agreements pursuant to Rule 14A.105 of the Listing Rules. For the Master Supply Agreement we have also applied for waivers under Rule 14A.105 of the Listing Rules from strict compliance with the relevant announcement and independent shareholders' approval requirements. For more information on our connected transactions, please refer to the section headed "Connected transactions" in this document.

RISK FACTORS

There are risks associated with any investment. Set out below are some of the major risks that may materially and adversely affect us:

- Our customer concentration exposes us to risks and factors affecting the performance of our major customers and may subject us to fluctuations or decline in our revenue.
- We have experienced a decline in our profits during the Track Record Period and we may not be able to prevent any further decline in the future.
- Our OEM Business is significantly dependent on our customers' business performance and our relationship with them, and we may not be able to attract or be successful in attracting new customers.
- Our businesses could be adversely affected by environmental protection policies or market trends to phase out the use of plastics.
- We may not be able to price our products at our desired margins as a result of any decrease in our bargaining power or changes in market conditions.
- Our OEM Business and Yo Yo Monkey Business may encounter intellectual property infringement claims and successful claims of infringement could materially and adversely harm our business and reputation.
- Sales of our "Yo Yo Monkey (優優馬騮)" brand products are dependent upon our retailer and distributor customers, failure to maintain and develop relationships with them may materially and adversely affect our Yo Yo Monkey Business.

KEY OPERATIONAL AND FINANCIAL DATA

The following table sets forth our key operational and financial data during the Track Record Period:

	As at/For the year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Results of operations			
Revenue	242,344	267,895	225,750
Gross profit	97,021	87,789	79,677
Profit before income tax	54,868	39,898	24,218
Profit for the year attributable to owners of our Company	49,254	31,374	17,498
Financial position			
Non-current assets	37,956	31,916	32,309
Current assets	119,707	113,504	129,879
Non-current liabilities	1,517	1	39
Current liabilities	82,307	62,650	60,115
Net current assets	37,400	50,854	69,764
Total equity and liabilities	157,663	145,420	162,188
Cash flows			
Net cash generated from operating activities	48,998	41,304	9,569
Net cash used in investing activities	(3,249)	(8,472)	(5,328)
Net cash used in financing activities	(40,428)	(33,509)	(9,000)
Cash and cash equivalents at end of the year	41,996	41,319	36,560
Key financial ratios			
Current ratio[(1)]	1.5	1.8	2.2
Quick ratio[(2)]	1.0	1.4	1.5
Gearing ratio[(3)]	—	—	—
Return on equity ratio[(4)]	71.4%	40.1%	18.9%
Return on total assets ratio[(5)]	33.0%	20.7%	11.4%
Gross profit margin	40.0%	32.8%	35.3%
Net profit margin	20.3%	11.7%	7.8%

Notes:

1. Calculated by dividing current assets by current liabilities as at the end of the relevant year.

2. Calculated by dividing current assets less inventories by current liabilities as at the end of the relevant year.

3. Calculated by dividing total borrowings by total equity as at the end of the relevant year and multiplied by 100%.

4. Calculated by dividing net profit for the relevant year by the average of the total equity as at the beginning and as at the end of the relevant year and multiplied by 100%.

5. Calculated by dividing net profit for the relevant year by the average of the total assets as at the beginning and as at the end of the relevant year and multiplied by 100%.

The revenue and profit of our business

Our revenue during the Track Record Period was primarily affected by the demand of our products by our two largest OEM Business customers, which in turn is generally driven by consumer demand and general economic condition. We achieved annual growth in revenue for both of our OEM Business and our Yo Yo Monkey Business for the year ended 31 December 2016, where our total revenue recorded an annual growth of approximately 10.6%. Our revenue recorded an annual decline of approximately 15.7% for the year ended 31 December 2017 primarily due to the weaker demand for our products by our two largest OEM Business customers, namely TOMY and Customer A. The decrease in revenue from TOMY in 2017 was mainly attributable to the lackluster trend in sales of the baby products of TOMY's parent group in the United States in 2017 as disclosed in the financial information published by TOMY's parent company, which is listed on the Tokyo Stock Exchange, while our products sold to TOMY were primarily delivered to the United States during the Track Record Period. The decrease in revenue from Customer A in 2017 was mainly attributable to the higher demand of plastic sports bottles from Customer A due to its promotional event in 2016, which did not recur in 2017, and the transition from existing product models to new product models gradually being launched.

Our net profit recorded an annual decrease of approximately 36.3% for the year ended 31 December 2016 primarily due to (i) narrowed gross profit margin, which was attributable to the increase in our cost of raw materials due to our higher average procurement price of plastic resin in 2016 and the incurrence of a one-off repair and maintenance expenses in 2016; (ii) the incurrence of [REDACTED]; and (iii) the increase in income tax as we had income not subject to income taxation in Hong Kong in 2015 given our Group started to transform from a contract processing manufacturer into an import processing manufacturer in October 2015. Our net profit recorded an annual decline of approximately 44.3% for the year ended 31 December 2017, where such decline was mainly due to the decline in revenue, the increase in selling expenses and the incurrence of increased [REDACTED] in 2017.

The sustainability of our business

Our revenue and net profit recorded annual decline for the year ended 31 December 2017 as elaborated previously. Nevertheless, our Directors consider our business to be sustainable after taking into account the following factors:

(i) *Our established relationship with major customers, including TOMY and Customer A, which are internationally renowned* — As at the Latest Practicable Date, we have established 11 years and seven years of business relationships with TOMY and Customer A, respectively. Moreover, TOMY and Customer A had confirmed in February 2018 that (a) our Group was their key manufacturer of the product items which they engaged us to manufacture; (b) our Group was one of their top three suppliers in respect of the relevant product categories during the Track Record Period; and (c) they intended to continue their business relationship with our Group going forward. Furthermore, we have made various efforts to solicit sales orders from TOMY and Customer A.

(ii) *Our ability to procure new OEM Business customers* — We have made and will continue to make efforts in developing businesses with existing and potential customers for our OEM Business. Based upon our established industry reputation arising from our business relationships with internationally renowned corporations, we have been able to procure new customers for our OEM Business.

(iii) *Our Yo Yo Monkey Business has been growing, where we can leverage on the strengths of and our experience accumulated from our OEM Business, including our capabilities in manufacturing and quality control, which is a factor that we can differentiate our brand from other domestic brands* — The revenue of our Yo Yo Monkey Business recorded a CAGR of approximately 85.5% during the Track Record Period and we plan to continue to develop our Yo Yo Monkey Business. In addition to the business potential of our Yo Yo Monkey Business, our two business segments generate synergy. The strengths of, and our experiences accumulated from, our OEM Business, which serves international renowned corporations, can enhance our product design and quality assurance capabilities for our Yo Yo Monkey Business. Our products adhere to various international standards and have passed various chemical and physical tests. Moreover, as our Yo Yo Monkey Business grows, we believe that it will enable us to enjoy greater economies of scale in production costs. With our own production facilities, we have better production flexibility, such as modifying product design details from time to time to cope with latest seasonal trends, and have better quality and cost control as compared with domestic brand owners which do not operate their own production facilities.

(iv) *Our industry is expected to grow* — Our key products, being plastic bottles and baby feeding accessories, are daily use items. According to the Euromonitor Report, our industry is expected to grow during the period from 2017 to 2022. In particular, the abolishment of the one-child policy in the PRC as well as a stable and growing birth rate drives the growth of the total retail value sales of the plastic bottles, cups and tableware for infants and toddlers market in the PRC.

(v) *Our expansion plan by the utilisation of our net [REDACTED] from the [REDACTED]* — We plan to develop our business through expanding our production capabilities and conducting sales and marketing activities by the utilisation of our net [REDACTED] from the [REDACTED]. Our Directors believe the execution of our business plan can further solidify the sustainability of our overall business.

For further discussion and analysis of our financial information, including the sustainability of our business, please refer to the section headed "Financial information" in this document.

SHAREHOLDING INFORMATION

Immediately after the completion of the [REDACTED] and the [REDACTED] (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders, L.V.E.P. Holdings and Ching Wai Holdings, which are wholly-owned by Mr. Chung and Mr. Chau

respectively, will be interested in [REDACTED] and [REDACTED] of the Shares respectively. For details regarding the shareholding interest of our Controlling Shareholders, please refer to the section headed "Substantial Shareholders" in this document.

[REDACTED]

We have incurred [REDACTED] in connection with the [REDACTED], which include professional fees, [REDACTED] commissions and other related expenses. The total amount of [REDACTED] is estimated to be approximately HK$[REDACTED] (based on the mid-point of the indicative price range for the [REDACTED]), among which (i) approximately HK$[REDACTED] and HK$[REDACTED] of such [REDACTED] had been charged as expenses to the combined income statements of our Group for each of the years ended 31 December 2016 and 2017, respectively; (ii) approximately HK$[REDACTED] had been included in prepayments which will be further deducted from equity upon completion of the [REDACTED]; and (iii) approximately HK$[REDACTED] of such [REDACTED] are expected to be further incurred in the year ending 31 December 2018, of which approximately HK$[REDACTED] is expected to be charged to our income statements and approximately HK$[REDACTED] is expected to be accounted for as a deduction from equity. The actual amounts to be recognized to our income statements or to be deducted from our equity are subject to changes in variables and assumptions. Our Directors expect that our financial performance for the year ending 31 December 2018 will be adversely affected by the [REDACTED] to be charged to our income statements for such year.

DIVIDEND

Our Group currently does not have a fixed dividend policy. The form, frequency and amount of future dividends on our Shares will be at the discretion of our Directors and will depend on factors such as the profitability, financial condition, business development requirements, future prospects and cash requirements of our Group. Moreover, dividend declaration and payment, as well as the amount of dividends, will also be subject to, amongst others, the requirements under the Articles of our Company and the Companies Law, including the approval of our Shareholders and our Directors. During the Track Record Period, a subsidiary of our Company declared and paid cash dividends to its then shareholders of HK$40.0 million and HK$20.0 million during each of the years ended 31 December 2015 and 2016, respectively. During the Track Record Period and up to the Latest Practicable Date, our Group did not declare any dividend other than the aforesaid.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

In view of the annual decline of our revenue from our OEM Business for the year ended 31 December 2017, we have made various efforts to solicit more sales orders from TOMY, Customer A and other OEM Business customers, in particular (i) we had discussions with them as to the production of new models of plastic bottles and baby feeding accessories and we have already commenced the mould making process and obtained purchase orders for certain new models; (ii) in February 2018, we obtained a confirmation from TOMY which indicated that it believes its procurement amount from our Group in year 2018 is not expected to be materially lower than that in year 2017, where our revenue from TOMY amounted to approximately HK$66.0 million for the

year ended 31 December 2017; and (iii) in November 2017, we obtained a procurement forecast from Customer A for year 2018, from which we understood that the procurement amount of Customer A from our Group in year 2018 is expected to recover to a level around that in year 2016 of around HK$120 million. In view of the aforesaid and our established business relationships with our major OEM Business customers, as discussed in more detail in the paragraph headed "Sales — Our five largest customers" in the section headed "Business" in this document and the possible organic growth of the plastic bottles, cups and tableware for infants and toddlers and plastic shaker bottles retail markets in the United States as elaborated in the section headed "Industry overview" in this document, our Directors consider that the factors leading to the revenue decline of our Group for the year ended 31 December 2017 will not have a long-term adverse impact on our OEM Business.

Moreover, our Group is expected to further incur [REDACTED] in the year ending 31 December 2018, where approximately HK$[REDACTED] is expected to be charged to our combined income statement for the year, as detailed in the paragraph headed "[REDACTED]" above in this section.

In addition, our balances due to related parties (including Century Project Inc. and Tat Fung) that were non-trade in nature, which in aggregate amounted to approximately HK$13.9 million as at 31 March 2018, had been settled by our internal cash resources as at the Latest Practicable Date.

Furthermore, on 11 May 2018, we entered into a loan agreement with an independent third party and were granted with an unsecured interest-bearing loan amounted to HK$12.0 million carrying a fixed interest rate of 5% per annum due on 9 July 2018 for our short term financing.

As at the Latest Practicable Date, we had discontinued business relationship with Customer C and Customer D and we had not recorded any revenue from them since year 2017 mainly because we could not agree on the pricing terms for their products. Customer C and Customer D were our OEM Business customers and they collectively contributed approximately 2.9%, less than 0.1% and nil of our total revenue for each of the years ended 31 December 2015, 2016 and 2017, respectively. As at the Latest Practicable Date, we do not expect to record any revenue from them in the foreseeable future.

Save as the aforesaid, our Directors confirm that, up to the date of this document, (i) there has been no material adverse change in the general economic and market conditions, legal and regulatory environment, and the industry in which we operate that has materially and adversely affected our Group's financial or operating position since 31 December 2017, being the date to which our latest audited financial statements were prepared; (ii) there has been no other material adverse change in the operating and financial positions or prospects of our Group since 31 December 2017; and (iii) no event has occurred since 31 December 2017 which would materially affect the information shown in the Accountant's Report set forth in Appendix I to this document.

[REDACTED]

	Based on the minimum [REDACTED] of HK$[REDACTED] per [REDACTED]	Based on the maximum [REDACTED] of HK$[REDACTED] per [REDACTED]
[REDACTED] of the [REDACTED] (1)	HK$[REDACTED]	HK$[REDACTED]
Unaudited [REDACTED] adjusted net tangible assets of our Group attributable to owners of our Company per [REDACTED] (2)	HK$[REDACTED]	HK$[REDACTED]

Notes:

(1) The calculation of the market capitalisation of the Shares is based on [REDACTED] Shares in issue immediately after completion of the [REDACTED] and the [REDACTED].

(2) The unaudited [REDACTED] adjusted net tangible assets of our Group attributable to owners of our Company per Share is calculated based on [REDACTED] Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] after the adjustments as described in notes 1 to 4 as set out in Appendix II headed "Unaudited [REDACTED] financial information" to this document.

[REDACTED]

We estimate that the aggregate [REDACTED] to our Company from the [REDACTED], after deducting related [REDACTED] fees and estimated expenses in connection with the [REDACTED], assuming an [REDACTED] of HK$[REDACTED] per Share (being the mid-point of the [REDACTED] range of HK$[REDACTED] to HK$[REDACTED]), will be approximately HK$[REDACTED]. Our Directors presently intend to apply such net [REDACTED] as follows:

- approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used to upgrade our existing facilities and production machineries;
- approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used to develop our Yo Yo Monkey Business;
- approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used to develop our OEM business;
- approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used to improve our product development capabilities; and
- approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used as working capital and administrative expenses.

For further details on our [REDACTED], please refer to the section headed "Future plans and [REDACTED]" in this document.

DEFINITIONS

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

"Accountant's Report"	the accountant's report on our Group for the Track Record Period set out in Appendix I to this document
"Anyu Baby"	Shaoguan Anyu Baby Products Company Limited* (韶關安裕嬰童用品有限公司), a limited liability company established in the PRC on 17 June 2013 and an indirectly wholly owned subsidiary of our Company
"[REDACTED]"	[REDACTED]
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company conditionally adopted on 15 May 2018 which will become effective upon the [REDACTED], as amended from time to time, a summary of which is set out in the section headed "Summary of the constitution of our Company and the Cayman Islands Company Law" in Appendix III to this document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate, a method of assessing the average growth of a value over a certain time period
"[REDACTED]"	the issue of Shares to be made upon [REDACTED] of HK$[REDACTED] standing to the credit of the share premium account of our Company referred to in the paragraphs headed "Further information about our Company — Written resolutions of all Shareholders passed on 15 May 2018" in Appendix IV to this document
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person or persons admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CH Development"	CH Development Limited, a limited liability company incorporated in the BVI on 31 March 2017 and a direct wholly owned subsidiary of our Company
"Chairman"	the chairman of the Board, namely, Mr. Chau
"Chief Executive Officer"	the chief executive officer of our Company, namely, Mr. Chung
"Ching Wai Holdings"	Ching Wai Holdings Limited, a limited liability company incorporated in the BVI on 9 March 2017 and wholly owned by Mr. Chau, one of our Controlling Shareholders
"Code"	the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules
"Companies Law"	the Companies Law, Chapter 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	The Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	MS Group Holdings Limited (萬成集團股份有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 9 March 2017
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of our Company, means the controlling shareholders of our Company, namely, Ching Wai Holdings, L.V.E.P. Holdings, Mr. Chau and Mr. Chung
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Countries subject to International Sanctions"	are countries regarding which governments such as the United States or Australia, or governmental organisations, such as the EU or the UN, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries
"Deed of Indemnity"	the deed of indemnity dated 15 May 2018 given by each of our Controlling Shareholders in favour of our Company, details of which are set forth in the paragraphs headed "Other information — Tax and other indemnities" in Appendix IV to this document
"Deed of Non-competition"	the deed of non-competition dated 15 May 2018 given by each of our Controlling Shareholders in favour of our Company, details of which are set forth in the section headed "Relationship with our Controlling Shareholders" in this document
"Director(s)"	the director(s) of our Company
"EIT Law"	the PRC Enterprise Income Tax Law* (中華人民共和國企業所得税法), which came into effect on 1 January 2008
"EU"	the European Union
"Euromonitor"	Euromonitor International Ltd, an Independent Third Party, which is a market research company with a focus on industry, country, company or economic and consumer research

"Euromonitor Report"	the report commissioned by our Group and prepared by Euromonitor on the plastic bottles and baby feeding accessories market
"First Shanghai Capital" or "Sponsor"	First Shanghai Capital Limited, a licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activities, being the sole sponsor to our Company for the [REDACTED]
"[REDACTED]"	[REDACTED]
"GEM"	GEM of the Stock Exchange
"[REDACTED]"	[REDACTED]
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"HK$" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"HKFRSs"	the Hong Kong Financial Reporting Standards
"HKICPA"	the Hong Kong Institute of Certified Public Accountants
"HKSCC"	the Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	the HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

"HKSIR"	the Hong Kong Standards on Investment Circular Reporting Engagements
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Branch Share Registrar"	[REDACTED]
"Hong Kong Legal Advisers"	Khoo & Co., the legal advisers to our Company as to Hong Kong laws in connection with the [REDACTED]
"Humen Dafeng"	Dongguan Humen Dafeng Printing and Packaging Product Factory* (東莞虎門達峰印刷包裝製品廠), an entity established in the PRC on 13 February 2006 directly wholly owned by Tat Fung Industrial, a connected person of our Company and also a supplier of our Group during the Track Record Period
"Independent Third Party(ies)"	party(ies) which, as far as our Directors are aware, is/are not connected persons (within the meaning ascribed to it under the Listing Rules) of our Company
"International Sanctions"	sanction related laws, regulations and/or measures issued by the US, the EU, the UN and/or Australia
"International Sanctions Legal Advisers"	Hogan Lovells, the legal advisers to our Company as to International Sanctions laws in connection with the [REDACTED]
"IRD"	the Inland Revenue Department of Hong Kong
"Kwong Fai"	Kwong Fai Trading Limited, a limited liability company incorporated in Hong Kong on 26 March 1991, the shareholding interest of which was indirectly wholly owned by Century Project Inc., a company jointly owned by Mr. Chung and his spouse
"Latest Practicable Date"	11 May 2018, being the latest practicable date prior to the printing of this document for ascertaining certain information contained herein
"Lease Agreements"	the tenancy agreement entered into between Kwong Fai and Main Success dated 1 June 2017 in respect of the premises used as our Hong Kong office and the lease agreements entered into between Penghui and Wancheng Plastic and between Penghui and Anyu Baby each dated 1 April 2017 respectively as further detailed under the paragraph headed "Non-exempted continuing connected transaction" in the section headed "Connected transaction" in this document
"[REDACTED]"	the [REDACTED] of the Shares on the Main Board

"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange with responsibility for the Main Board
"[REDACTED]"	[REDACTED]
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
"L.V.E.P. Holdings"	L.V.E.P. Holdings Limited, a limited liability company incorporated in the BVI on 9 March 2017 and wholly owned by Mr. Chung, one of our Controlling Shareholders
"Main Board"	the stock market operated by the Stock Exchange prior to the establishment of GEM and which continues to be operated by the Stock Exchange in parallel with GEM
"Main Success"	Main Success Industrial Limited (萬成實業有限公司), a limited liability company incorporated in Hong Kong on 6 March 2007 and an indirectly wholly owned subsidiary of our Company
"Master Supply Agreement"	the master supply agreement into between Tat Fung Industrial and our Company dated 31 August 2017 for the provision of printing and packaging materials, further detailed under the paragraph headed "Non-exempted continuing connected transaction" in the section "Connected Transaction" in this document
"Memorandum"	the amended and restated memorandum of association of our Company, as amended from time to time
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Chau"	Mr. Chau Ching (周青), one of our Controlling Shareholders and an executive Director of our Group
"Mr. Chau Wai"	Mr. Chau Wai (周瑋), the son of Mr. Chau and an executive Director of our Group
"Mr. Chung"	Mr. Chung Kwok Keung Peter (鍾國強), one of our Controlling Shareholders and an executive Director of our Group

"Mr. Leonard Chung"	Mr. Chung Leonard Shing Chun (鍾丞晉), the son of Mr. Chung and an executive Director of our Group
"Ms. Cheung"	Ms. Cheung Hau Ling (張巧玲), the spouse of Mr. Chau
"Ms. Lee"	Ms. Lee Yiu Chee Eugenia (李耀芝), the spouse of Mr. Chung
"MS Industrial"	MS Industrial Limited, a limited liability company incorporated in the BVI on 31 March 2017 and a directly wholly owned subsidiary of our Company
"OEM Business"	our business segment principally comprising the production and sales of plastic bottles and cups for infants and toddlers and plastic sports bottles on an OEM basis predominately for the overseas markets, particularly the United States in terms of export value
"OFAC"	the United States Department of Treasury's Office of Foreign Assets Control
"[REDACTED]"	"[REDACTED]"
"[REDACTED]"	[REDACTED]
"On Gain"	On Gain Development Limited (安裕發展有限公司), a limited liability company incorporated in Hong Kong on 5 November 1991 and an indirectly wholly owned subsidiary of our Company
"Penghui"	Penghui Qiye (Wengyuan) Company Limited* (鵬輝企業(翁源)有限公司), an entity established in the PRC on 1 August 2005, the equity interest of which was wholly owned by Sharp Success, a connected person of our Company
"[REDACTED]"	[REDACTED]

"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"plastic bottle(s) and baby feeding accessories"	the major product categories of our Group, being (i) plastic bottles and cups for infants and toddlers, such as toddler's insulated cups and plastic training cups; and (ii) plastic sports bottles
"PRC" or "China"	the People's Republic of China which, for the purposes of this document only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"PRC Government"	the government of the PRC including all government departments (including provincial, municipal and other regional or local government entities) and organisations thereof or, as the context requires, any of them
"PRC Legal Advisers"	Deheng Law Offices (Shenzhen), the legal advisers to our Company as to PRC laws in connection with the [REDACTED]
"[REDACTED]"	the [REDACTED] to be entered into among our Company, the Sponsor and the [REDACTED] (for itself and on behalf of the other [REDACTED]), on or before the [REDACTED] to record and fix the [REDACTED]
"[REDACTED]"	[REDACTED]
"Production Base"	the production plant of our Group situated in Wengyuan County, Shaoguan City, Guangdong Province, the PRC

"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"ReAlto"	ReAlto Group Limited, a limited liability company incorporated in Hong Kong on 30 May 2012, the shareholding interest of which was wholly-owned by Mr. Leonard Chung, one of our executive Directors and a connected person of our Company
"Regulation S"	Regulation S under the US Securities Act
"Reorganisation"	the corporate reorganisation of our Group in preparation for the [REDACTED] as described in the section headed "History, reorganisation and corporate structure" in this document
"Repurchase Mandate"	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, further details of which are contained in the paragraphs headed "Further information about our Company — Written resolution of all Shareholders passed on 15 May 2018" in Appendix IV to this document
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC

"Ruicai"	Dongguanshi Ruicai Plastic and Metal Hardwares Company Limited* (東莞市銳彩塑膠五金有限公司), an entity established in the PRC on 16 March 2010, the equity interest of which was owned as to 60% by Mr. Zhang Haote (張浩特), who is the brother of Ms. Cheung and a deemed connected person of our Company, and 40% by an independent third party
"SAFE"	the State Administration of Foreign Exchange of the PRC* (中華人民共和國國家外匯管理局)
"San Yie"	San Yie International Holdings Limited (山野國際集團有限公司), a limited liability company incorporated in Hong Kong on 7 July 2004, the shareholding interest of which was wholly owned by Ms. Cheung, a connected person of our Company
"Sanctioned Persons"	person(s) and identity(ies) listed on OFAC's Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the US, the EU, the UN or Australia
"SAT"	the State Administration of Taxation of the PRC* (中華人民共和國國家税務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with nominal value of HK$0.10 each in the share capital of our Company
"[REDACTED]"	the [REDACTED] and the [REDACTED]
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 15 May 2018, a summary of the principal terms and conditions of which is set forth in the paragraphs headed "Share Option Scheme" in Appendix IV to this document

"Shareholder(s)"	holder(s) of the Share(s) of our Company from time to time
"Sharp Success"	Sharp Success Enterprises Limited (鵬輝企業有限公司), a limited liability company incorporated in Hong Kong, the shareholding interest of which was owned as to 50% and 50% by Mr. Chung and Mr. Chau respectively and each a Controlling Shareholder and an executive Director of our Company
"sq.ft."	square feet
"sq.m."	square metre
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tat Fung"	Tat Fung Industrial (Hong Kong) Limited (達峰實業(香港)有限公司), a limited liability company incorporated in Hong Kong on 13 August 2007, the shareholding interest of which was owned as to 50% and 50% by Mr. Chung and Mr. Chau respectively and each a Controlling Shareholder and an executive Director of our Company
"Tat Fung Industrial"	Tat Fung Industrial Company (達峰實業公司), a partnership established in Hong Kong on 8 February 2003 by Ms. Cheung and her brother Mr. Zhang Liaodong (張遼東), a connected person of our Company
"TOMY"	TOMY (Hong Kong) Limited, a company incorporated in Hong Kong, an Independent Third Party and a major customer of our Group during the Track Record Period
"Track Record Period"	the period comprising the years ended 31 December 2015, 2016 and 2017
"[REDACTED]"	the [REDACTED] and the [REDACTED]
"[REDACTED]"	the [REDACTED] and the [REDACTED]

"US" or "United States"	the United States of America
"US$" or "US dollars" or "USD"	United States dollars, the lawful currency of the United States
"US Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Wancheng Plastic"	Wengyuanxian Wancheng Plastic Products Company Limited* (翁源縣萬成塑膠制品有限公司), a limited liability company established in the PRC on 20 April 2007 and an indirectly wholly owned subsidiary of our Company
"Wengyuan Dafeng"	Wengyuanxian Dafeng Printing and Packaging Product Company Limited* (翁源縣達峰印刷包裝製品有限公司), a limited liability company established in the PRC on 18 January 2018 directly wholly owned by Tat Fung Industrial, a connected person of our Company
"[REDACTED]"	the [REDACTED] for the [REDACTED] for use by the public who require such [REDACTED] to be issued in the applicant's own name
"[REDACTED]"	the [REDACTED] for the [REDACTED] for use by the public who require such [REDACTED] to be deposited directly into CCASS
"Yo Yo Monkey Business"	our business segment principally comprising the production and sales of infant and toddler products, such as plastic bottles and cups for infants and toddlers, under our "Yo Yo Monkey (優優馬騮)" brand principally for the PRC market
"UN"	United Nations
"%"	per cent.

If there is any discrepancy between the Chinese names or titles of the PRC laws and regulations or other Chinese documents mentioned in this document and their English translations, the Chinese version shall prevail. If there is any inconsistency between the Chinese names of entities or enterprises established in PRC and their English translations, the Chinese names shall prevail. The English translations of company or entity names in Chinese or another language which are marked with "" and the Chinese translations of company names in English which are marked with "*" are for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

This glossary of industry terms contains explanation of certain terms used in this document as they relate to the industry in which our Group operates its business. These terms and their given meaning may not correspond to standard industry meaning or usage.

"ASTM"	American Society for Testing and Materials
"BPA"	stands for bisphenol A, an organic synthetic compound with the chemical formula $(CH_3)_2C(C_6H_4OH)_2$ belonging to the group of diphenylmethane derivatives and bisphenols. Bisphenol A is used primarily to make plastics. BPA-based plastic is clear and tough, and is made into a variety of common consumer goods, such as water bottles, sports equipment, CDs, and DVDs
"CNC"	computer numerical control, is the automation of machine tools by means of computers executing pre-programmed sequences of machines control commands, examples include mills and lathes
"FCA"	free carrier, which means the seller delivers the goods to the carrier or another person nominated by the buyer at the seller's premises or another named place. The parties are well advised to specify as clearly as possible the point within the named place of delivery, as the risk passes to the buyer at that point
"FDA"	the U.S. Food and Drug Administration
"FOB"	free on board, which means the seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that moment onwards
"ISO"	the International Organisation of Standardisation, world-wide federation of national standards bodies
"OEM"	original equipment manufacturing

GLOSSARY OF TECHNICAL TERMS

"PE"	polyethylene, which is usually a mixture of similar polymers of ethylene with various values of n and has the chemical formula $(C_2H_4)_n$. It is primarily used in packaging (plastic bags, plastic films, geomembranes, containers including bottles, etc.)
"PES"	polyethersulfone, which is a kind of thermoplastic polymer with low protein retention. The polymer has high toughness and is stable at high temperatures. It contains the subunit aryl-SO_2-aryl, the defining feature of which is the sulfone group
"PP"	polypropylene or polypropene, which is a thermoplastic polymer widely used in packaging and labelling, textiles (e.g. ropes, thermal underwear and carpets), stationery, plastic parts and reusable containers of various types, laboratory equipment, loudspeakers, automotive components, and polymer banknotes
"PPSU"	polyphenylsulfone, which is a type of high performance polymer usually consisting of aromatic rings linked by sulfone (SO_2) groups
"Tritan"	an Eastman Tritan™ copolyester, which is a tough, BPA-free plastic. Products made from Tritan are impact and shatter resistant and can stay clear and durable after years of repeated use and dishwasher cycles

FORWARD-LOOKING STATEMENTS

This document contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "could", "estimate", "expect", "may", "ought to", "should" or "will" or similar terms, in particular, in the sections headed "Business" and "Financial information" in this document in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on various assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions including the risk factors described in this document and the following:

- our business and operating strategies and the various measures to implement such strategies;
- our dividends;
- our operations and business prospects, including development plans for its existing and new businesses;
- the future competitive environment for the industries in which we operate;
- the regulatory environment as well as the general industry outlook for the industries in which we operate;
- future developments in the industries in which we operate;
- the effects of the global financial markets and economic crisis; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations and the Listing Rules, we do not have any obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section. In this document, unless otherwise stated, statements of or references to our intentions or those of any of our Directors are made as at the date of this document. Any such intentions may change in light of future developments.

Prospective investors should consider carefully all the information set forth in this document and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the [REDACTED]. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and prospects of our Group.

This document contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this document. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this document. The trading price of the [REDACTED] could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our customer concentration exposes us to risks and factors affecting the performance of our major customers and may subject us to fluctuations or decline in our turnover

During the Track Record Period, a majority of our revenue was derived from a few major customers. We generated approximately 90.1%, 88.7% and 77.6% of our total revenue from our five largest customers, and 81.0%, 78.4% and 68.8% of our total revenue from TOMY and Customer A, being our two largest customers, for each of the years ended 31 December 2015, 2016 and 2017, respectively.

Our total revenue for the year ended 31 December 2017 recorded an annual decline of approximately 15.7%. Such decline was mainly attributable to the weak demand for our products by our major OEM Business customers, particularly TOMY and Customer A, where our revenue from these two major customers for the year ended 31 December 2017 recorded an annual decline of approximately 28.0% and 24.5%, respectively.

We may continue to rely on the business with our major customers. If our major customers cease to purchase or reduce substantially their order size in the future, whether due to their decision to change supplier or any other reason, we may not be able to seek alternative customers within a short period of time and the business and financial performance of our Group will be materially adversely affected. Our concentration on our major customers may also result in difficulty for us to negotiate with such customers for satisfactory prices for our products and commercial terms.

We generally do not have purchase commitments from our major customers and our sales are typically made on the basis of individual purchase orders. We are not the exclusive supplier for these customers and we do not have guaranteed orders from them. There is no assurance that these customers will not purchase from other suppliers whom they perceive to offer equal or superior products or services, or whom offer lower prices than us. Therefore, there is no certainty that we

will continue to generate revenue from these customers. If the demand for our major customers' products deteriorates or if there are any other developments adverse to our major customers such as any significant changes in the operations or financial condition of our major customers, including consolidation or change of ownership, restructuring or liquidation, our business, operating results and financial condition may be materially and adversely affected.

We have experienced a decline in our profits during the Track Record Period and we may not be able to prevent any further decline in the future

Our net profit amounted to approximately HK$49.3 million, HK$31.4 million and HK$17.5 million for each of the years ended 31 December 2015, 2016 and 2017, respectively. The decrease in our net profit from the year ended 31 December 2015 to the year ended 31 December 2016 was primarily attributable to (i) the increase in cost of sales of approximately HK$34.8 million, which was mainly affected by factors including (a) the increase in average procurement price of plastic resin; and (b) the incurrence of repair and maintenance expenses; (ii) the incurrence of [REDACTED] of approximately HK$3.5 million for the purpose of the [REDACTED]; and (iii) the increase in income tax of approximately HK$2.9 million. The decrease in our net profit from the year ended 31 December 2016 to the year ended 31 December 2017 was mainly due to (i) the decline in revenue by approximately 15.7% from approximately HK$267.9 million to approximately HK$225.8 million; (ii) the increase in selling expenses from approximately HK$17.4 million to approximately HK$22.5 million; and (iii) the incurrence of increased [REDACTED] of approximately HK$6.5 million in 2017. For further information, please refer to the section headed "Financial information" in this document. We cannot assure you that we will be able to prevent any further decline in our profits. You should not rely on our profit level for any prior year as an indication of our future financial or operating performance. Any further decline in our profit may adversely affect our profitability and operating results.

Our OEM Business is significantly dependent on our customers' business performance and our relationship with them, and we may not be able to attract or be successful in attracting new customers

Our OEM Business generated approximately 95.9%, 91.4% and 84.8% of our revenue for each of the years ended 31 December 2015, 2016 and 2017, respectively. Accordingly, our revenue would be significantly affected by the business performance of our OEM Business customers, as well as other factors affecting their purchases from us, many of which are beyond our control. Adverse changes in the economic conditions in the markets in which our customers operate, in particular, the US and Europe, unfavourable changes in the exchange rate of foreign currencies, weak demand for our customers' products and unsuccessful sales and marketing efforts by our customers, among other factors, may negatively affect their purchasing practices and result in a reduction of their purchase orders for our products. If our customers are unable to sell the products we manufacture to the market successfully, our business and results of operations could be materially and adversely affected.

In addition to growing or maintaining our business with existing OEM Business customers, the success of our business also depends on our ability to attract and acquire new customers. The market for our products evolves and we cannot assure you that we will be able to acquire new customers for our existing or new OEM Business products. In particular, potential OEM Business customers may be unwilling to purchase from us if they consider or suspect that our products manufactured for our existing OEM Business customers or our products under our own brand are competing, or are perceived to be potentially competing, with their products.

During the Track Record Period, the majority of our OEM Business products in terms of revenue were delivered overseas. We expect to continue and expand such business. Accordingly, the business performance of and our relationship with our existing and potential OEM Business customers are subject to a variety of risks and uncertainties associated with overseas operations, which include but not limited to:

- compliance with foreign laws, regulatory requirements and local industry standards;
- exposure to increased overseas litigation risks;
- political and economic instabilities;
- foreign exchange rate exposure;
- imposition of restrictions on imports from the PRC or other trade barriers by overseas countries to which we export our products;
- unfamiliarity with local operating and market conditions;
- competition from local companies;
- foreign taxes;
- environment, safety and labour regulatory compliance; and
- potential disputes and difficulty in managing relationships with overseas customers.

Any of the foregoing and other risks and uncertainties could adversely affect our financial condition and results of operations.

Our businesses could be adversely affected by environmental protection policies or market trends to phase out the use of plastics.

Environmentalists have long discouraged the use of plastic products as plastic is not biodegradable and is considered environmentally unfriendly. Moreover, governmental bodies have introduced policies to discourage the use of plastic products. For instance, (i) several cities in the United States have banned or limited the use of plastic straws in restaurants or prohibits stores from handing out plastic shopping bags for free; (ii) the European Union is pushing for many single-use

plastic products, including straws, to be barred by 2030; (iii) the PRC government had published a notice to limit the production and usage of plastic shopping bags; and (iv) certain world's famous consumer brands have agreed to reduce their use of plastic packaging.

Our plastic products are not biodegradable and may be considered environmentally unfriendly. The current environmental policies in the United States and the PRC on plastic products do not target plastic bottles and baby feeding accessories which are the major product categories of our Group, but in case stricter environmental protection policies are enacted or market trends emerge to phase out the use of plastics, particularly in relation to plastic bottles and baby feeding accessories, our business and financial performances could be adversely affected.

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

We set prices for our OEM Business products primarily based on cost-plus pricing policy. Our ability to set favourable prices at our desired margins and to accurately estimate costs, among other factors, has a material impact on our profitability, particularly for our OEM Business. For each of the years ended 31 December 2015, 2016 and 2017, our gross profit margin for our OEM Business was approximately 39.8%, 32.0% and 34.3%, respectively. We cannot assure you that we will be able to maintain our pricing or bargaining power or that our gross profit margin will not be driven down by market conditions or other factors. In the event that we see higher pricing pressure due to intensified competition from other manufacturers, continued decrease in prices to our customers in the end market or any other reasons, or if we otherwise lose bargaining power due to weaker demand for our products, we may need to lower the prices and margins of our products. Moreover, we may not be able to accurately estimate our costs or pass on all or part of any increase in our costs of production, in particular the costs of raw materials to our customers. As a result, our results of operations could be materially and adversely affected.

Our OEM Business and Yo Yo Monkey Business may encounter intellectual property infringement claims and successful claims of infringement could materially and adversely harm our business and reputation

We operate in an industry in which we and our competitors or our OEM Business customers may utilise or own similar technology and product designs. Consequently, our competitors or our OEM Business customers may claim intellectual property rights over the technology and product design used in our products. We cannot assure you that any third parties may not raise a claim of intellectual property infringement against us. Consequently, we may become subject to legal proceedings and claims relating to the intellectual property rights of third parties. Legal proceedings involving intellectual property rights can be expensive and time-consuming, and their outcomes are uncertain. Successful infringement claims by third parties against us could subject us to substantial monetary liability, require us to obtain licences (which we may not be able to obtain on commercially reasonable terms or at all), pay on-going royalties, modify aspects of our technology and product design or subject us to injunctions prohibiting the production and sale of products or the use of our technologies, any of which could materially and adversely harm our business and reputation.

Sales of our "Yo Yo Monkey (優優馬騮)" brand products are dependent upon our retailer and distributor customers, failure to maintain and develop relationships with them may materially and adversely affect our Yo Yo Monkey Business

Most of our "Yo Yo Monkey (優優馬騮)" brand products during the Track Record Period were sold to our retailers and distributors in the PRC, and we expect to continue to rely on our retailers and distributors for the development of our Yo Yo Monkey Business after the [REDACTED]. As the continuing development of our Yo Yo Monkey Business depends on our ability to engage and retain quality retailers and distributors customers with the ability to market and sell our "Yo Yo Monkey (優優馬騮)" brand products in the PRC market, our Yo Yo Monkey Business would be negatively affected should we be unable to engage and retain business relationships with the quality retailers and distributors.

Our Yo Yo Monkey Business is still in the development stage and, we may not be able to enter into or renew agreements with our preferred retailers or distributors or on terms acceptable to us or at all. During the Track Record Period, our agreements with certain retailers and distributors, particularly renowned retail chain stores, contained clauses which allow them to return unsold products to us under specified circumstances. In light of the development stage of our Yo Yo Monkey Business we may continue to enter into agreements containing such product return clauses in the future. Should such product return be substantial and/or disputes arise in relation to product returns, our relationship with our customers may be impaired and our financial performance may be affected.

Furthermore, we may have to compete for retailers or distributors with other infant and toddler product manufacturers who may have stronger bargaining power. Our competitors may enter into exclusive purchase agreements or distributorship agreements that restrict their retailers or distributors from selling our products. Maintaining relationships with existing retailers and distributors and replacing retailers and distributors may be difficult and time-consuming. Any disruption of our retailer and distribution network or relationship with our major retailers and distributors, including our failure to renew our existing purchase agreements or distribution arrangements with our major retailers or distributors respectively, could negatively affect our ability to effectively sell our "Yo Yo Monkey (優優馬騮)" brand products and would materially and adversely affect our business, financial condition and results of operations.

If we or our "Yo Yo Monkey (優優馬騮)" brand fails to maintain a good reputation, our Yo Yo Monkey Business and our business prospects could be adversely affected

Our Yo Yo Monkey Business depends on our reputation, the brand awareness and brand image of our "Yo Yo Monkey (優優馬騮)" brand and the relevant trademarks:

- to gain access to, and for our products to be perceived favourably by, the retailers and the distributors that drive demand for our products;

- to promote our new products;

- to effectively work with the counterparties that are involved in different aspects of our business;
- to attract employees, retailers and distributors to work with us; and
- to increase market share of our products through brand recognition.

However, there can be no assurances that we will be able to maintain a good reputation and strong brand image or trademarks. Our reputation, brand names and trademarks may be adversely affected by a number of factors, many of which are outside our control, including:

- adverse associations with the quality of our products;
- the effects of counterfeit products purporting to be our products;
- lawsuits and regulatory investigations against us or otherwise relating to our products or industry;
- improper or illegal conduct by our employees and distributors, whether or not authorised by us; and
- adverse publicity that is associated with us, our products or our industry, whether founded or unfounded.

If we or our "Yo Yo Monkey (優優馬騮)" brand fails to maintain a good reputation or strong brand image as a result of these or other factors, our products may be perceived unfavourably by our retailers and distributors, and our business and business prospects could be adversely affected.

We have limited control over the operations of our distributors. Actions taken by our distributors may materially and adversely affect our business, prospects and reputation

We have limited ability to manage the activities of our distributors. Our distributors are independent from us, and may take actions, including one or more of the following, which could have material adverse effect on our business, prospects and reputation:

- sell products of third parties that compete with our products that they have contracted to sell for us;
- sell our products outside their designated territory; or
- fail to adequately promote our products.

Failure to adequately manage our distribution network, or non-compliance by distributors with our distribution agreements could harm our reputation and disrupt our sales. Furthermore, we could be held liable for actions taken by our distributors, including any violations of applicable law in

connection with the sales of our products. In addition, our brand and reputation, our sales activities or the price of our products could be adversely affected if we become the target of any negative publicity as a result of actions taken by our distributors.

The prospect of our Yo Yo Monkey Business is dependent upon the successful commercialisation of new products. If we are unable to successfully develop new products or expand our product line, our business and financial condition may be adversely affected

The prospects of our Yo Yo Monkey Business is dependent upon the development and successful commercialisation of new products. However, the product development process may be costly and time-consuming and there is no assurance that we can complete it within the anticipated timeframe, or that the results of such a product development process will lead to the commercial production of any products. Our decisions in product development, and other similar arrangements, could have the effect of limiting our ability to develop and commercialise new products. If we are unable to successfully develop new products or expand our product line, our business and financial condition may be adversely affected.

Unauthorised use of our brand name by third parties may adversely affect the value of our brand name, reputation and business; legal actions to enforce our rights to our brand name may involve significant costs and may divert our resources

We regard our "Yo Yo Monkey (優優馬騮)" brand name as critical to the success of our Yo Yo Monkey Business. Unauthorised use of our brand name by third parties may adversely affect the value of our brand name, business and reputation, including the perceived quality and reliability of our products. As at the Latest Practicable Date, we had in relation to our "Yo Yo Monkey (優優馬騮)" brand registered 24 trademarks in the PRC and three trademarks in Hong Kong. Despite our precautions, we may be unable to prevent unauthorised use of our brand names by third parties. In certain circumstances, litigation may be necessary to protect our brand names. However, as the validity, enforceability and scope of protection of trademarks from legal perspectives are uncertain, we may not be successful in prosecuting these cases. Further, litigation could also result in substantial costs and diversion of our resources, and could disrupt our business.

Our gross profit margin and profitability can be materially and adversely affected by the fluctuations in prices of raw materials or unstable supply of raw materials

For each of the years ended 31 December 2015, 2016 and 2017, cost of raw materials accounted for approximately 59.2%, 58.7% and 56.9% of our total cost of sales, respectively. Our principal raw materials used in our production processes are plastic resin, packaging materials and accessories. We were and are subject to the price fluctuation in raw materials used in our manufacturing process. For details of price fluctuation of our key raw materials, please refer to the paragraph headed "Operational costs — raw material — PP" under the section headed "Industry overview" in this document.

For each of the years ended 31 December 2015, 2016 and 2017, our overall gross profit was approximately HK$97.0 million, HK$87.8 million and HK$79.7 million, whilst our gross profit margins was approximately 40.0%, 32.8% and 35.3%, respectively. A primary reason which led to the decrease in our overall gross profit margin from the year ended 31 December 2015 to the year ended 31 December 2016 was the increase in cost of raw materials as the average procurement price of plastic resin increased for the year ended 31 December 2016 as compared with that for the year ended 31 December 2015.

Supplies of these raw materials may also be subject to a variety of factors that are beyond our control, including but not limited to market shortages, suppliers' business interruptions, government control and overall economic conditions, all of which may have an impact on their respective market prices from time to time. Where there are increases in the prices of our raw materials and we are unable to pass our cost increases to customers in a timely manner, it may adversely impact our profit margins. For example, where there is a potential time lag between when prices for raw materials increase under our purchase orders and when we can implement a corresponding increase in price under our sales orders with our customers. Our business prospects, financial condition and results of operations may be adversely affected by the increase and volatility of these costs. Such cost increases may also increase our working capital needs, which could reduce our liquidity and cash flow.

As at the Latest Practicable Date, we did not have any hedging arrangements protecting us from price fluctuations in raw materials. If we cannot pass on the increase in our costs to our customers or absorb an increase in such costs through improving our manufacturing and operating efficiency, adjusting our pricing strategy or other measures, our business, financial condition and results of operations may be materially and adversely affected.

We do not enter into long-term supply contracts with our suppliers and our production cost and schedule may be adversely affected if we fail to secure supply

We rely on our suppliers to supply raw materials to us for our production needs. For each of the years ended 31 December 2015, 2016 and 2017, our purchases from our five largest suppliers accounted for approximately 65.3%, 58.8% and 44.5% of our total purchases and purchases from our largest supplier, Tat Fung Industrial which is a connected person of our Company, accounted for approximately 30.6%, 24.3% 16.0% of our total purchases, respectively. As we do not enter into long-term supply contracts with our suppliers, there is no assurance that our suppliers will continue to supply the required raw materials to us in a timely manner or that they will not significantly increase the prices of the raw materials supplied. There is also no assurance that our suppliers would supply the raw materials up to our required standard to us. If our suppliers are not able to supply raw materials of our required quantity and quality standard and at our desired price level to us and we are not able to secure alternative suppliers in a timely manner, our business, financial condition and operating results may be materially and adversely affected.

Any unexpected disruption at our production facilities could have a material and adverse effect on our business, financial condition and results of operations

Smooth and consistent daily operations of our production facilities are highly crucial to our business. We cannot assure you that there will be no sudden malfunction or stoppage of our production facilities during our daily operations and if any significant breakdown or malfunctions of machinery happens, our business, financial condition and results of operations could be adversely impacted.

Our production requires significant and constant supply of electricity. Utility expenses for each of the years ended 31 December 2015, 2016 and 2017 amounted to approximately HK$6.9 million, HK$6.2 million and HK$5.2 million, respectively. Our reliance on such supply will further increase as we expand our production capacity. If at any time we do not have adequate electricity to sustain normal production due to blackouts, shortage of electricity, we may need to limit, delay or halt production, and any disruption to such supply may adversely affect our production flow, prevent us from meeting customer orders and/or increase our costs of production, which could adversely affect our business and financial performance.

Any failure to maintain an effective quality control system could have a material and adverse effect on our business, financial conditions and results of operations

The quality of our products is dependent on the effectiveness of our quality control system, and our ability to ensure that our employees adhere to our quality control policies and guidelines. For details of our certifications, please refer to the paragraph headed "Certifications" under the section headed "Business" in this document. Any failure in our quality control system could result in the production of defective or substandard products, which in turn may impair our reputation, result in delays in the delivery of our products and the need to replace defective or substandard products, which could have a material and adverse impact on our business, financial conditions and results of operations.

We rely on our key management personnel

Our future success is highly dependent on the ongoing efforts of our management and key personnel, primarily being our executive Directors, namely Mr. Chau, Mr. Chung, Mr. Chau Wai and Mr. Leonard Chung, and our chief operating officer, namely Mr. Cheung Chor Yin. We rely on such management and key personnel for their capabilities in developing new and maintaining existing customer relationships and developing new products and their extensive knowledge of and experience in the plastic bottles and baby feeding accessories industry. We may not be able to retain the services of our management or key personnel, or attract and retain management or key personnel in the future. We may also be unable to attract or retain the specialised personnel required to achieve our business objectives, and failure to do so could adversely affect our business and prospects. In addition, we depend on the continued service of skilled managerial and technical personnel. In the event that any member of our management or any of our key personnel joins a competitor or forms a competing company, we may not be able to replace them easily and we may lose our technical know-how, product development capability, customers, business partners and other key staff members.

If we are unable to maintain the existing level of utilisation rates at our production facilities, our margins and profitability may be materially and adversely affected

For each of the years ended 31 December 2015, 2016 and 2017, our production utilisation rates were approximately 58.7%, 62.9% and 60.2%, respectively. For details of the production utilisation rates, please refer to the paragraphs headed "Production facilities — Utilisation rate" in the section headed "Business" in this document. The utilisation rates of our production facilities depend primarily on the demand for our products. The utilisation rates may also be affected by various other factors, such as skills of our employees, adverse weather conditions, natural disasters and breakdown of our production equipment. There is no assurance that we will be able to maintain a comparable level of output and utilisation rates at our Production Base in the future. In the event that we are unable to maintain the existing level of utilisation rates for any or all of our production facilities, our business, financial condition and operating results may be materially and adversely affected.

We may not be successful in maintaining our growth or implementing our market expansion plan

Our business plans set forth in the paragraph headed "Business strategies" under the section headed "Business" in this document are based on assumptions of future events which may entail certain risks and are inherently subject to uncertainties. These assumptions may not be correct, which could affect the commercial viability of our business plans. As such, there can be no assurance that our business plans will be implemented successfully as scheduled (in terms of, for instance, time and cost) or at all. If we fail to effectively and efficiently implement our business plans, we may not be successful in achieving desirable and profitable results. Even if we effectively and efficiently implement our business plans, there may be other unexpected events or factors that prevent us from achieving the desirable and profitable results from the implementation of our business plans. Our sales may not grow at the same rate as the increase in our production capacity, which may result in excess production capacity in our production facilities. Our financial condition, operating results and growth prospects may be materially and adversely affected if our future business plans fail to achieve positive results.

We rely on independent logistics service providers

We do not have our own transportation team. During the Track Record Period, we engaged independent logistics service providers for the transport or delivery of our products to locations designated by our customers. Should the logistics service providers fail to comply with the transportation arrangements or any regulatory requirements, they may fail to transport or deliver our products to our customers in a timely manner or at all. Upon any failure by any of our existing logistics service providers to discharge their delivery obligations, we may not be able to find other suitable companies or agents as replacements on a timely basis, and our business, financial performance and operations may therefore be adversely and materially affected.

The quality of the moulds provided by our independent subcontractors may not be satisfactory and this may materially affect our business and reputation

We principally engage subcontractors for the production of the moulds used in our production processes. For each of the years ended 31 December 2015, 2016 and 2017, the subcontracting fees paid to these subcontractors amounted to approximately HK$4.2 million, HK$3.2 million and HK$1.9 million, respectively.

We generally do not have any long-term agreements with any subcontractor, meaning we typically place orders on an individual basis, depending on the purchase orders from our customers. It is possible that other customers of our subcontractors are of a larger scale and are better financed than we are, or have long-term agreements with our subcontractors. Accordingly, our subcontractors may allocate their production capacities to these customers during times of production capacity shortages. Any shortfall in such available production capacity could significantly affect our ability to deliver our products in a timely fashion, which may result in a loss of revenue and may damage our relationships with our customers. In addition, if the cost of subcontracting increases and we are unable to pass on such higher costs to our customers, our profit margins may be significantly reduced, thereby adversely affecting our financial condition and results of operations. We review the technical capabilities, timely delivery, services, prices and product quality offered by our subcontractors on a regular basis. However, there are no assurances that these subcontractors will comply with our requirements or the quality of their services will be satisfactory in the future. Any quality problems related to our subcontractors may adversely affect our business and reputation.

Our insurance coverage may not be sufficient to cover the risks relating to our operations and potential losses

Our operations are subject to hazards and risks that are typically associated with manufacturing operations which may cause significant injury or damage to person or property. No assurance can be given that our insurance coverage will be able to cover all types of, or be sufficient to cover the full extent of any loss, theft of or damage to property or injury to person for which we may be held liable. Power failures or disruptions, the breakdown, failure or substandard performance of equipment, the destruction of buildings and other facilities due to fire or natural disasters such as hurricanes, severe winter storms, flood, droughts or earthquakes will severely affect our ability to continue our operations and may cause significant property damage and personal injuries. Our existing insurance policies may not be sufficient to compensate us for any losses arising from damage to our buildings, equipment and infrastructure. In addition, there are certain types of losses, such as those resulting from war, acts of terrorism, earthquakes, typhoons, flooding and other natural disasters, for which we cannot obtain insurance at a reasonable cost or at all. Any events and any losses or liabilities that are not covered by our current insurance policies may have a material adverse impact on our business, financial condition, results of operations and prospects.

Any increase in our labour costs would reduce our profit margins, profitability and liquidity, as well as materially and adversely affect our financial condition and results of operations, and labour shortage could disrupt our production

As at the Latest Practicable Date, we had employed 765 full-time staff. For each of the years ended 31 December 2015, 2016 and 2017, our direct labour costs amounted to approximately HK$27.1 million, HK$29.6 million and HK$23.8 million, representing approximately 18.6%, 16.4% and 16.3% of our total costs of sales, respectively. Labour costs in the PRC have increased in recent years and have affected our Group's cost structure.

There is no assurance that we will be successful in retaining and recruiting suitable and qualified workers in sufficient numbers and in a timely manner for our existing and future manufacturing operations at reasonable costs or at all, and any prolonged shortage of labour could materially and adversely affect our operations and financial results. In addition, we may be liable for fines assessed by relevant government authorities or incur settlement costs in order to resolve labour disputes. We may also be subject to higher labour costs in the future when recruiting new employees due to the reputational damage caused by these labour disputes. In the event that such labour costs significantly increase and our Group is unable to identify and adopt appropriate means to reduce costs or pass on such increase in costs to our customers, our margins and profitability could be materially and adversely affected. Such cost increases may also increase our working capital needs, which could reduce our liquidity and cash flow, as well as materially and adversely affect our financial condition and results of operations.

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

We are subject to the credit risk that our customers may fail to make prompt payments of monies due to us and our liquidity is dependent on our customers making prompt payments of monies due to us. During the Track Record Period, we normally provided credit terms ranging from 30 to 90 days to our customers. As at 31 December 2015, 2016 and 2017, our trade receivables amounted to approximately HK$30.9 million, HK$29.0 million and HK$27.3 million, respectively, whereas the respective trade receivables accounted for approximately 19.6%, 19.9% and 16.8% of our total assets, respectively. As at 31 December 2015, 2016 and 2017, trade receivables of approximately HK$6.2 million, HK$9.2 million and HK$4.6 million, respectively, were past due but not impaired. For details, please refer to the paragraph headed "Financial information — Major components of the combined statements of financial position — Trade and other receivables" in this document. We cannot assure you that we will be able to recover all or any part of the amounts due from our customers within the agreed credit terms or at all. Furthermore, in the event that disputes arise between us and our major customers, we may require a longer time than the credit period offered to collect payments. The uncertainties or failure in the settlement of our receivables by our customers may negatively affect our cash flows, our business, results of operations and financial condition.

Our financial results may be materially and adversely affected by the potential increase in depreciation expenses upon the carrying out of the upgrade of our existing facilities, acquisition of new machineries and upgrading of our IT infrastructure

As detailed in the section headed "Future plans and [REDACTED]" in this document, we plan to upgrade our existing facilities and machineries which will entail the acquisition of, new machineries and equipment to be used in connection with the production of our products, including injection machines, 3D printers, CNC machinery and robotic automation equipment, new equipment to upgrade our general facilities, including air showers and ventilation systems and the upgrading of our IT infrastructure. To carry out the measures stated above, we intend to use approximately HK$[REDACTED] of the net [REDACTED] of the [REDACTED] of which approximately HK$[REDACTED] will be used to acquire new machineries and equipment to be used for the production of our products, approximately HK$[REDACTED] to upgrade our general facilities and approximately HK$[REDACTED] to upgrade of our IT infrastructure. We expect that additional depreciation charges will be charged to our income statements following the aforesaid capital expenditures, thus our financial results may therefore be adversely affected.

We face risks associated with the obsolescence of our inventory

Our inventory consists of raw materials, work in progress and finished goods. We believe maintaining an appropriate inventory level helps us to meet the changing market demands in a timely manner. Our balance of inventories as at 31 December 2015, 2016 and 2017 were HK$36.0 million, HK$28.6 million and HK$42.7 million, respectively. Our inventory faces obsolescence risks if there are unexpected material fluctuations or abnormalities in the supply and demand of raw materials and finished goods by suppliers and customers, respectively, or where there are changes in end customers' preferences, which may lead to decreased demand and overstocking of our inventory.

A portion of our products were sold and/or delivered to certain Countries subject to International Sanctions and we could be adversely affected if we were sanctioned for such sales and/or deliveries

The US and other jurisdictions or organisations, including the EU, the UN and Australia, have comprehensive or broad economic sanctions targeting certain countries, or against industry sectors, groups of companies or persons, and/or organisations within such countries.

During the Track Record Period, a portion of our products were sold and/or delivered to certain Countries subject to International Sanctions, namely Lebanon, Myanmar/Burma, Russia and Ukraine on FOB or FCA basis. The reason for such sales and/or deliveries was either (i) our direct customer was not located in Countries subject to International Sanctions, but requested us to deliver our products to their sales markets in these countries; or (ii) our direct customer was located in such Countries subject to International Sanctions. Our revenue derived from products sold and/or delivered to the Countries subject to International Sanctions amounted to approximately HK$2.2 million, HK$2.8 million and HK$1.4 million, representing approximately 0.9%, 1.0% and 0.6% of our revenue, for each of the years ended 31 December 2015, 2016 and 2017, respectively. We

intend to continue to sell our products to customers with Countries subject to International Sanctions after the [REDACTED], although our Directors do not expect any material increase in our Group's sales or deliveries to these countries.

Sanctions laws and regulations are constantly evolving, and new persons and entities will be regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. As a result, we cannot provide any assurance that our future business will be free of sanctions risk or that our business will conform to the expectations and requirements of the US authorities or the authorities of any other governments or organisations.

Our business and reputation could be adversely affected if the authorities of the US, the EU, the UN, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provide a basis for a sanctions designation of our Group. For details of the business operations in Countries subject to International Sanctions, please refer to "Business — Our business activities in Countries subject to International Sanctions" in this document.

Product liability claims may be brought against us and may materially and adversely harm our business, financial conditions, and results of operations

Our products are subject to the laws, regulations and industry standards imposed by the jurisdictions in which they are sold, which can differ from country to country or region to region. We are exposed to risks associated with product liability claims if the use of our products results in personal damage or injury. Further information on regulatory requirements of the plastic bottles and baby feeding accessories industry is set forth under the section headed "Regulatory overview" in this document. Any dispute regarding the quality of our products may give rise to claims against us for losses and damages. Such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our operations. If any such claims were ultimately successful, we could be required to pay substantial damages, which could materially and adversely affect our business, financial condition and results of operations.

In respect of our OEM Business, as our products are mainly shipped to the US, we may incur liability in the US if injuries occur when products manufactured by us are used by consumers. Consumer protection laws in the US are quite extensive. Penalties, fines, or damages in the event of such injuries in the US could result in a material and adverse impact on our operating results. In addition, laws exist in certain US states restricting the sale of packaging with levels of heavy metals and impose fines and penalties for non-compliance.

In respect of our Yo Yo Monkey Business, our products are principally sold to retailers and distributors in the PRC and, in the first quarter of 2018, we commenced a small scale sale of our "Yo Yo Monkey (優優馬騮)" brand products in Hong Kong by way of consignment to a well-

known Hong Kong retail chain of infant and toddler products. Both the PRC and Hong Kong have applicable consumer protection requirements which require our products to adhere to certain industry standards.

Moreover, on top of our existing markets, we may develop, and sell our products to, new markets in other countries or regions. We may not always be familiar with the legal and regulatory regimes of those new markets, or even those of our existing markets should they evolve or change and if we fail to make timely adjustments to adopt to the relevant requirements, we may fail to comply with those requirements.

We are subject to the risk that our products could be found not to be in compliance with these and other requirements. A recall of any of our products or any fines and penalties imposed in connection with non-compliance could have a materially adverse effect on us.

We are subject to a variety of environmental, health and safety laws and regulations

We are subject to a variety of laws and regulations in the PRC relating to the discharge of pollutants as a result of our manufacturing processes. Compliance with existing and future environmental, health and safety laws could subject us to costs or liabilities, including fines, impact our production capabilities, result in suspension of our business operations, expand or acquire facilities and generally impact our financial performance. We currently do not carry any insurance relating to environmental protection for our annual cost for compliance with applicable environmental laws and regulations during the Track Record Period. If we are held liable for damages in the event of any violation of applicable environmental, health and safety laws, we may also be subject to adverse publicity and our financial condition and results of operations could be materially and adversely affected.

We received export tax rebates in connection with our export sales which may affect our results of operations

Most of our OEM Business customers are located in overseas markets and our products are delivered to designated foreign locations at the request of those overseas OEM Business customers. Pursuant to the Measure for the Administration of Tax Refund (Exemption) of Exported Goods (For Trial Implementation) (《出口貨物退(免)税管理辦法(試行)》), as promulgated by SAT, on March 16 2005 and became effective on 1 May 2005, for the goods as exported either directly by an exporter or via an export agency, the exporter may, after the export declaration and the conclusion of financial settlement for sales, file a report to the tax authorities for the approval of refund or exemption of VAT or consumption tax on the strength of the relevant certificates. The term "exporters" shall include foreign trade operators, manufacturing enterprises without the qualification to engage in export that retain export agency for their export and the specific enterprises and individual of tax refund (exemption). The SAT issued the Export Tax Rebate Rates Library (出口退税率文庫) and may amend the tax rebate library in accordance with the relevant tax policies and the adjustments to the Customs Import and Export Tariff from time to time. Subject to the relevant PRC regulations on the export tax rebate rate, we are currently entitled to rebates from the PRC tax authorities in connection with our export sales at a rate of 9% or 13%, depending on

different type of products. However, we cannot assure you that there will not be any adverse change in the tax rebate policies in the PRC in the future, thereby resulting in a decrease or cancel in export tax rebates that we may receive.

Due to the volatility of our export sales which are largely dependent on the purchase orders from our OEM Business customers, we cannot assure you that we will receive export tax rebates at the historical level. If there is any significant decrease in our export volumes, the total amount of our export tax rebates during the relevant period could be correspondingly decreased and our results of operations could be materially and adversely affected.

Our sales performance and raw material cost can be adversely affected by changes in trade policies and legislation

During the Track Record Period, the majority of our products of our OEM Business were sold and delivered to overseas countries/regions, particularly the United States. Moreover, certain raw materials which we have been procuring were manufactured from overseas, including the United States. Should any countries/regions, such as the United States, impose unfavourable trade policies and legislation (including customs duties, quotas or other restrictions) on product categories related to us (including plastic bottles and baby feeding accessories and our raw materials) in the future, our sales performance and raw material cost could be affected, which might in turn lead to a material and adverse impact on our profitability.

We may be subject to additional tax liabilities, which could have adverse impacts on our financial condition

Before October 2015, Wancheng Plastic was engaged in contract processing arrangement with Main Success. Under this arrangement, Main Success provided raw materials and/or semi-finished products to Wancheng Plastic for further processing and/or assembly. Accordingly, Main Success was entitled to have a 50% offshore claim in relation to the profits generated from the sales of goods that were manufactured by Wancheng Plastic under the contract processing arrangement so that 50% of such profit was treated as non-taxable in Hong Kong pursuant to the Departmental Interpretation and Practice Notes No. 21 (Revised in July 2012) issued by the IRD. Starting from October 2015, pursuant to the encouragement of the local government authorities in the PRC, Wancheng Plastic started to transform into an import processing manufacturer which imported raw materials and/or semi-finished products for further processing and/or assembly and sold the products to Main Success. Accordingly, Main Success was no longer entitled to the 50% offshore claim and it resulted in higher income tax expenses of our Group for the year ended 31 December 2016 and 2017. For each of the years ended 31 December 2015, 2016 and 2017, our income tax expenses were approximately HK$5.6 million, HK$8.5 million and HK$6.7 million, representing an effective tax rate (excluding [REDACTED]) of approximately 10.2%, 19.6% and 21.9% respectively, as disclosed in the section headed "Financial information" in this document.

If Wancheng Plastic continues its import processing arrangement with Main Success, our Group cannot be entitled to the aforesaid 50% offshore claim and, as compared with that before the adoption of import processing arrangement, may continue to result in higher income tax expenses and lower profitability in the long run.

For further details, please refer to the paragraph headed "Financial information — Major components of the combined income statements — Hong Kong profits tax" in this document.

We may be subject to tax risks relating to our transfer pricing arrangements

During the Track Record Period and up to the Latest Practicable Date, contract processing and import processing arrangements were conducted between Wancheng Plastic and Main Success. The intra-group transactions of our Group are subject to the transfer pricing laws and regulations of the PRC and Hong Kong. For further details regarding our transfer pricing arrangements, please refer to the paragraph headed "Financial information — Major components of the combined income statements — Income tax expenses" in this document.

We cannot assure that the relevant tax authorities would not challenge the transfer pricing arrangement of our Group. If a regulatory tax authority determines that our transfer pricing arrangements do not comply with the relevant transfer pricing laws and regulations, we may face adverse tax consequences, which may have a material adverse impact to our operations and financial performance.

We have certain non-compliance issues with social insurance and housing provident fund during the Track Record Period

Prior to June 2017, we had not fully contributed to the social insurance and housing provident fund for all of our employees in accordance with the relevant PRC laws and regulations. Pursuant to relevant PRC laws and regulations, we may be ordered to pay the unpaid social insurance and housing provident fund within a prescribed time limit due to such non-compliances. Furthermore, relevant employees may take legal actions, such as filing arbitration claim, against us in the future in respect of our failure to make contribution to the relevant social insurance for such employees. In such case, we may be required to assume relevant civil liabilities. Please refer to the paragraph headed "Legal proceedings and non-compliance" under the section headed "Business" in this document for further details. If we are ordered to pay any unpaid amount or penalty due to the above non-compliance issues, our financial position may be adversely affected.

We are exposed to foreign exchange risks

As our sales are primarily made in US dollar whereas our payment of wages and salaries to our staff are in RMB and HK dollar, we are exposed to exchange rate risk. Our profit margins will be negatively affected to the extent that we are unable to increase the US dollar selling prices of the products we sell to our overseas customers to account for any appreciation of the RMB against the US dollar. Further, any future significant fluctuations in exchange rates will result in increases or decreases in our reported costs and earnings, and, accordingly, our business, financial condition,

results of operations and prospects. If there is any material fluctuation in the exchange rates of one currency that we use to settle our payables against the other currency we received from our customers, and if we are unable to pass on the exchange risk to our customers, our results of operations and financial condition may be adversely affected.

RISKS RELATED TO THE INDUSTRY

We operate in a highly competitive environment and we may not be able to sustain our current market position

We face competition from existing and new players both domestically in the PRC as well as on an international scale. Additional competitors with significant market presence and financial resources may enter those markets, and thereby intensify the competition. These competitors may be able to reduce our market share by adopting more aggressive pricing policies or by developing technology and services that gain wider market acceptance than our products. Existing and potential competitors may also develop relationships with our customers in a manner that could significantly harm our ability to sell and market our products to them.

The market for our products is competitive. We face competition in the market from both international and domestic manufacturers. Our ability to compete successfully in the plastic bottles and baby feeding accessories industry depends on various factors, including our ability to anticipate market trends, adopt new or innovate technologies, effective cost control, consistency in product quality, timely delivery of products to meet customers' schedules, customer services and technical expertise, and factors that are outside of our control, such as industry and general economic conditions. We cannot assure you that we will remain competitive or that our strategies will continue to be successful in the future. Intensified competition may result in loss of our market share, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

Epidemics, acts of war and other disasters may adversely affect our operations

Natural disasters, epidemics and other acts of God which are beyond human control may adversely affect the economy, infrastructure and livelihood of the people of the PRC and the countries where our end customers are located. Our business, results of operations and financial condition may be adversely affected if such natural disasters occur. We may be required to disinfect our affected operational premises, which could adversely affect our operations. Even if we are not directly affected by the epidemic, it could slow down or disrupt the level of economic activity generally, which could in turn adversely affect our operating results.

In addition, acts of war and terrorist attacks may cause damage or disruption to our operations, employees, markets or clients, any of which could adversely impact our turnover, cost of sales, overall results and financial condition or the market price of the Shares. Potential war or terrorist attacks may also cause uncertainty and cause the business to suffer in ways that we cannot currently predict.

RISKS RELATED TO CONDUCTING BUSINESS IN THE PRC

Changes in the PRC's political, economic and governmental policies may have an adverse impact on our operations

Despite the export nature of our products, we conduct all of our production in the PRC. Accordingly, our business, financial condition and results of operations are subject to political, economic and legal developments in the PRC to a significant degree. The PRC's economy differs from the economies of other developed countries in many aspects, including the extent of government involvement, growth rate, control of foreign exchange, allocation of resources and capital investment. We cannot assure you that there will not be any unfavourable changes in the PRC's political, economic and governmental policies and measures that could impact the industries in which we operate, which could in turn diminish the demand for our products.

There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations

The PRC legal system is based on statutory laws. Under this system, prior court decisions may be cited for reference but do not have binding precedential effect. Since 1979, the PRC Government has been developing a comprehensive legal system and considerable progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organisation and governance, property title, foreign investment, commerce, taxation and trade. As these laws and regulations are relatively new and evolving, and because of the limited volume of published cases and judicial interpretations and the non-binding nature of prior court decisions, the interpretation and enforcement of these laws and regulations involves some uncertainty. Such uncertainties may lead to difficulties in enforcing our rights and in resolving disputes with any persons, and could result in unanticipated costs and liabilities.

Government control on currency conversion and changes in the exchange rate between RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends

Our Group needs to convert RMB into foreign currencies for payment of dividends, if any, to Shareholders, which is subject to the PRC rules and regulations on currency conversion. In the PRC, SAFE regulates the conversion of RMB into foreign currencies.

Under relevant PRC foreign exchange regulations, payment of current account items, including profit distributions and interest payments from trade related transactions are permitted to be made in foreign currencies without prior approval but are subject to certain procedural requirements. Strict foreign exchange control apply to capital account items, which must be approved by and/or registered with SAFE. We cannot assure you that the PRC regulatory authorities will not impose further restrictions on foreign exchange transactions for current account items, including payment of dividends.

Furthermore, in 2005, the PRC revalued the exchange rate of the RMB to the USD and abolished the pegging of the RMB solely to the USD as applied in the past. Instead, it is pegged against a basket of currencies. We cannot assure you that in the future the PRC will not revalue RMB or permit its substantial appreciation. Any increase in the value of RMB may adversely affect the growth of the PRC economy and competitiveness of various industries in the PRC, including the industries in which our Group operates, which could in turn affect the financial condition and operations of our Group. Fluctuations in exchange rates for USD may adversely affect the value, translated or converted into RMB, of our net assets, earnings and any declared dividends. We may incur new debt financings which may include foreign currency denominated borrowings. Any adverse fluctuations in exchange rates among these foreign currencies may materially and adversely affect our results of operations.

Our Company is a holding company and relies on dividends paid by our subsidiaries for our funding requirements

As a holding company, our Company relies on the receipt of dividends from our subsidiaries to pay dividends to our Shareholders and satisfy our obligations. The ability of our direct and indirect subsidiaries to pay dividends to their shareholders (including us) is subject to a number of factors including but not limited to our financial performance, earnings, surplus and directors' discretion. There is no assurance that any dividend will be declared and paid in the future.

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

Under the EIT Law and the Implementation Rules of the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法實施條例), PRC enterprise income tax at the rate of 10.0% is applicable to dividends payable to investors that are "non-resident enterprises" (being investors which have not set up institutions or premises in the PRC, or where the institutions or premises are set up but its subsidiary's after tax income has no actual relationship with such institutions of premises) to the extent such dividends are sourced within the PRC. Similarly, any gain realised on the transfer of the shares of a PRC enterprise by such investors is also subject to 10.0% PRC enterprise income tax if such gain is regarded as income derived from sources within the PRC. If we are considered as a PRC "resident enterprise", it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realise from the transfer of our Shares, would be treated as income derived from sources within the PRC and be subject to PRC tax. If we are required under the EIT Law to withhold PRC enterprise income tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC enterprise income tax on the transfer of the Shares, the value of your investment or return on your investment in our Shares may be materially adversely affected.

You may experience difficulties in effecting service of legal process and enforcing judgments against us

Our Company was incorporated under the laws of the Cayman Islands and a majority of our businesses, assets and operations are located in the PRC. As a result, it may not be possible to effect service of legal process upon us in the PRC.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the US, the United Kingdom, Japan and most other western countries. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned, pursuant to which a party with a final court judgment rendered in writing by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court in writing requiring payment of money in a civil and commercial case pursuant to a choice of court agreement may apply for recognition and enforcement of such judgment in Hong Kong. Therefore, it may be difficult for you to enforce against us in the PRC any judgments obtained from non-PRC courts.

Although we will be subject to the Listing Rules and the Takeovers Code upon [REDACTED], our Shareholders will not be able to bring actions on the basis of violation of the Listing Rules or the Takeovers Code, which do not have the force of law in Hong Kong, and must rely on the Stock Exchange and SFC to enforce their rules.

RISK RELATING TO THE [REDACTED] AND THE SHARES

Sale or perceived sale of substantial amounts of the Shares in the public market after the [REDACTED] could adversely affect the prevailing market price of the Shares

The Shares beneficially owned by the Controlling Shareholders are subject to certain lock-up periods under the Listing Rules and further undertakings in favour of us. There is no assurance that the Controlling Shareholders, whose interests may be different from those of other Shareholders, will not dispose of their Shares following the expiration of the lock-up periods. Sale of substantial amounts of the Shares in the public market, or the perception that such sale may occur, could adversely affect the prevailing market price of the Shares. Our Controlling Shareholders may take actions with which you may not agree or which are not in our or our public Shareholders' best interests.

Upon completion of the [REDACTED] and the [REDACTED], the Controlling Shareholders will own [REDACTED] of the Shares in issue. Our Controlling Shareholders will therefore have significant influence over the operations and business strategy of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires. The interests of the Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of the Controlling Shareholders conflict with the interests of

other Shareholders, or if any of the Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of other Shareholders, our Company or those other Shareholders may be adversely affected as a result.

[REDACTED]

[REDACTED]

Issue of new Shares under the Share Option Scheme or any future equity fund raising exercise will have a dilution effect and may affect our profitability

We have conditionally adopted the Share Option Scheme but no option has been or will be granted thereunder prior to the [REDACTED]. Any exercise of the options to be granted under the Share Option Scheme in the future will result in a dilution in the shareholding of our Shareholders

in our Company and may result in a dilution in the earnings per Share and net asset value per Share. The fair value of the share options at the date on which they are granted with reference to the valuer's valuation will be charged as share-based expense, which may adversely affect our Group's results of operations.

We may require additional funding for future growth

We may be presented with opportunities to expand our business through acquisitions in the future. Under such circumstances, secondary issue(s) of securities after the [REDACTED] may be necessary to raise the required capital to capture these growth opportunities. If additional funds are raised by means of issuing new equity securities in the future to new and/or existing Shareholders after the [REDACTED], such new Shares may be priced at a discount to the then prevailing market price. Inevitably, existing Shareholders if not being offered with an opportunity to participate, their shareholding interest in our Company will be diluted. Also, if we fail to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exerts pressure to the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

RISKS RELATING TO STATEMENTS MADE IN THIS DOCUMENT AND FROM OTHER SOURCES

Certain statistics and facts in this document are derived from various official government sources and publications or other sources and have not been independently verified

This document includes certain statistics and facts that are extracted from official government sources and publications or other sources. We believe that such statistics and facts are prepared by the relevant sources after having taken reasonable care. Whilst our Company believes that it is prudent for us to rely on such statistics and facts, there is no assurance that such statistics and facts are free from error or mistake. The statistics and facts from these sources have not been independently verified by our Company, our Directors, the Sponsor, the [REDACTED], the [REDACTED], or any of their respective directors, affiliates or advisers or any other party involved in the [REDACTED] and no representation is given as to their accuracy and completeness. Due to possible flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this document may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such statistics or facts.

Forward-looking statements contained in this document are subject to risks and uncertainties

This document contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "could", "expect", "estimate", "intend", "may", "plan", "seek", "should", "will", "would" or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although we believe the assumptions on which the forward-looking statements based on are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed "Forward-looking statements" in this document for further details.

We strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us, our industry or the [REDACTED]

There may be press articles, media coverage and/or research analyst reports regarding us, our industry or the [REDACTED], which may include certain financial information, financial projections and other information about us that do not appear in this document. We have not authorised the disclosure of any such information in the press, media or research analyst reports. We do not accept any responsibility for any such press articles, media coverage or research analyst reports or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this document is inconsistent or conflicts with the information contained in this document, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this document.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER FROM STRICT COMPLIANCE WITH CHAPTER 14A OF THE LISTING RULES

We have entered into, and we expect to continue, certain transactions which will constitute non-exempted continuing connected transactions for our Company under the Listing Rules upon the [REDACTED]. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the relevant announcement and independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules for such non-exempted continuing connected transactions. Further details of such non-exempted continuing connected transactions and the waiver are set out in the section headed "Connected transactions" in this document.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Chung Kwok Keung Peter (鍾國強)	Unit 902, Block 1 Tavistock 1 10 Tregunter Path Mid-Levels Hong Kong	Chinese
Mr. Chau Ching (周青)	No. 62 Kai Leng Sheung Shui New Territories Hong Kong	Chinese
Mr. Chung Leonard Shing Chun (鍾丞晉)	Flat D, 11/F Empire Court 2–4 Hysan Avenue Hong Kong	Chinese
Mr. Chau Wai (周瑋)	No. 62 Kai Leng Sheung Shui New Territories Hong Kong	Chinese
Independent Non-executive Directors		
Mr. Asvaintra Bhanusak (馬清源)	House 7 Belleview Garden 5 Belleview Drive Repulse Bay Hong Kong	Thai
Mr. Seto John Gin Chung (司徒振中)	Flat C, 42/F Estoril Court 55 Garden Road Mid-Levels Hong Kong	Chinese
Mr. Yu Hon To David (俞漢度)	Flat A, 5/F Monte Verde 41 Repulse Bay Road Repulse Bay Hong Kong	Chinese

Note: Further information is disclosed in the section headed "Directors and senior management" in this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sponsor	**First Shanghai Capital Limited** 19/F., Wing On House 71 Des Voeux Road Central Hong Kong *(A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO)*
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Legal advisers to our Company

As to Hong Kong law:
Khoo & Co.
2nd Floor
Tern Centre Tower 2
251 Queen's Road Central
Hong Kong

As to the PRC law:
Deheng Law Offices (Shenzhen)
Storey 11, Section B
Anlian Plaza
No. 4018 Jintian Road
Shenzhen
PRC

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

	As to International Sanctions and United States law: **Hogan Lovells** 11th Floor, One Pacific Place 88 Queensway Hong Kong
Legal advisers to the Sponsor and the [REDACTED]	*As to Hong Kong law:* **Vivien Teu & Co LLP** in association with Llinks Law Offices 27/F, Henley Building 5 Queen's Road Central Central Hong Kong *As to the PRC law:* **China Commercial Law Firm** 21st–23rd Floor Hong Kong China Travel Service Tower No. 4011 Shennan Avenue Shenzhen PRC
Auditor and reporting accountant	**PricewaterhouseCoopers** *Certified Public Accountants* 22nd Floor, Prince's Building Central Hong Kong
Property valuer	**Cushman & Wakefield Limited** 16th Floor Jardine House Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Industry consultant	**Euromonitor International Limited** 1101–08 Cross Tower 318 Fuzhou Road Shanghai PRC
[REDACTED]	[REDACTED]

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter of our Group and principal place of business in Hong Kong	Room 907, 9/F, Enterprise Square Tower 1 9 Sheung Yuet Road, Kowloon Bay Hong Kong
Principal place of business in the PRC	Penghui Industrial Zone, Wengcheng Town Wengyuan County, Shaoguan City Guangdong Province PRC
Company website	**www.mainsuccess.cn** *(The information contained on the website of our Company does not form part of this document)*
Company secretary	Mr. Ko Kam On (HKICPA) Flat F, 2/F Kin Yip Court 14–32 Lin Shing Road Hong Kong
Authorised representatives	Mr. Chung Kwok Keung Peter Unit 902, Block 1 Tavistock 1 10 Tregunter Path Mid-Levels Hong Kong Mr. Chung Leonard Shing Chun Flat D, 11/F Empire Court 2–4 Hysan Avenue Hong Kong

CORPORATE INFORMATION

Members of the audit committee	Mr. Yu Hon To David *(Chairman)* Mr. Seto John Gin Chung Mr. Asvaintra Bhanusak
Members of the remuneration committee	Mr. Seto John Gin Chung *(Chairman)* Mr. Yu Hon To David Mr. Asvaintra Bhanusak
Members of the nomination committee	Mr. Chau Ching *(Chairman)* Mr. Yu Hon To David Mr. Seto John Gin Chung
Compliance Adviser	**First Shanghai Capital Limited**
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Principal bankers	**Bank of China (Hong Kong) Limited** 1 Garden Road Central Hong Kong

INDUSTRY OVERVIEW

Certain facts, statistics and data presented in this section and elsewhere in this document have been derived, in part, from various government official publications as well as the commissioned report from Euromonitor, an independent third party. The report prepared by Euromonitor is intended to reflect estimates of market conditions based on publicly available sources and trade opinion surveys. The report has been prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in our Group. Whilst our Directors have taken all reasonable care to ensure that the relevant facts and statistics are accurately reproduced from these official government sources, such facts and statistics have not been independently verified by our Group, the Controlling Shareholders or any of its respective affiliates or advisers, nor by the Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED] or any of their affiliates or advisers or any other party involved in the [REDACTED]. Our Directors have no reason to believe that such facts, statistics and data presented in this section is false or misleading or that any fact has been omitted that would render such facts, statistics and data false or misleading. In this section, other than the Euromonitor Report, information regarding the relevant industries has been recited or extracted from certain articles, reports or publications, and their preparations were not commissioned or funded by our Group. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Euromonitor Report which may qualify, contradict or have an impact on the information in this section.

SOURCES OF INFORMATION

We commissioned Euromonitor to conduct an analysis of and to report on the plastic bottles and baby feeding accessories industry at an aggregate fee of RMB820,000. The information and analysis contained in the Euromonitor Report was assessed independently by Euromonitor which is not connected to our Group in any way. The payment of such amount was not conditional on our Group's successful [REDACTED] or on the results of the Euromonitor Report. Established in 1972, Euromonitor has offices around the world, analysts in 80 countries and market research on every key trend and driver, provides strategy research to support corporate strategic reviews, new business planning, product and brand management, competition strategies and inform supplier relationships.

The information and statistics set forth in this section are extracted from the Euromonitor Report. We believe that such information facilitates an understanding of the relevant market for potential investors. The information contained in the Euromonitor Report is derived by means of data and intelligence gathering methodology which consists of (i) secondary research, which involved reviewing published sources including official statistics such as the National Bureau of Statistic of the PRC, specialist trade press and associations such as the China Plastic Processing Industry Association, company reports including audited financial statements where available, independent research reports, and data based on Euromonitor's own research database; (ii) primary research, which involved interviews with a sample of leading industry participants and industry experts for latest data and insights on future trends and to verify and cross check the consistency of data and research estimates; (iii) projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers; and (iv) review and cross-checks of all sources and independent analysis to build all final estimates, including the size, shape, drivers and future trends of the plastic bottles and baby feeding accessories manufacturing and retailing market and prepare the final report.

In compiling and preparing the Euromonitor Report, Euromonitor has adopted the assumptions that (i) the economy of selected geographies is expected to maintain steady growth over the forecast period; (ii) the social, economic, and political environment of selected geographies is expected to remain stable in the forecast period; (iii) there will be no external shocks, such as a financial crisis or raw material shortage that affects supply and demand in plastic bottles and baby feeding

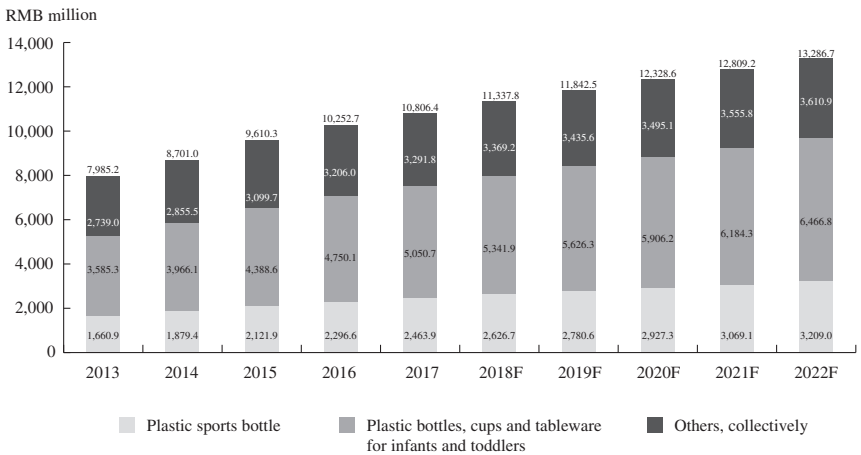
accessories manufacturing and retailing in selected geographies during the forecast period; and (iv) key market drivers discussed in the report are expected to boost the development of the plastic bottles and baby feeding accessories manufacturing and retailing markets in selected geographies.

OVERVIEW OF THE PLASTIC BOTTLES AND BABY FEEDING ACCESSORIES OEM MARKET

OEM manufacturing market in the PRC

Plastic bottles and baby feeding accessories OEM manufacturing is one of the traditional OEM industries in the PRC. Plastic bottles and baby feeding accessories are a large category and include various sub-segments in terms of function. General speaking, the manufacturer's value sales of plastic bottles and baby feeding accessories in the PRC reached approximately RMB10,806.4 million in 2017, representing an annual growth of approximately 7.9% from 2013 to 2017. As the PRC remains a major player in plastic bottles and baby feeding accessories OEM manufacturing industry, the market will continue to increase at a CAGR of approximately 4.2% from 2017 to 2022, reaching approximately RMB13,286.7 million by 2022.

Chart 1. Market size of plastic bottles and baby feeding accessories OEM manufacturing in the PRC, by manufacturer's value sales, 2013–2022



Source: Euromonitor estimates from desk research and trade interviews with leading manufacturers/distributors/exporters of plastic bottles and baby feeding accessories as well as the relevant trade associations in mainland China

A major category within plastic bottles and baby feeding accessories is the plastic sports bottles, which accounted for approximately 22.8% of the total market in 2017, in terms of manufacturer's value sales. In addition, it outperformed other subcategories and registered the fastest growth rate. From 2013 to 2017, the manufacturer's value sales of plastic sports bottles grew from approximately RMB1,660.9 million to RMB2,463.9 million, representing a CAGR of approximately 10.4%. The growth is mainly fuelled by the increasing health and wellness trend, and the rising popularity of fitness and sports activities. Benefiting from the continuous rise in consumer demand, the market is expected to maintain this growth momentum and reach approximately RMB3,209.0 million by 2022, representing a CAGR of approximately 5.4% from 2017 to 2022.

The plastic bottles, cups and tableware for infants and toddlers category comprise of plastic baby feeding bottles, plastic training cups and semi disposable cups (sippy and straw cups), plastic toddler's insulated cups and plastic baby and toddler tableware. As the subcategory contains different types of products, it took up approximately 46.7% of the total market in 2017. The manufacturer's value sales of plastic bottles, cups and tableware for infants and toddlers rose at a CAGR of approximately 8.9% from 2013 to 2017, reaching approximately RMB5,050.7 million. As the birth rates in developed countries are expected to remain low and the market is mainly driven

by demand in developing countries, the plastic bottles, cups and tableware for infants and toddlers OEM industry in the PRC will see a slower increase at a CAGR of approximately 5.1% from 2017 to 2022. The market will reach approximately RMB6,466.8 million in 2022.

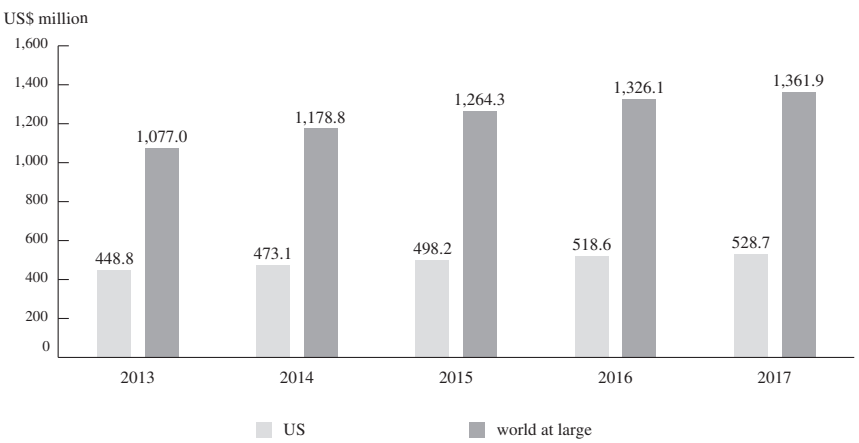
Others mainly include reusable plastic water bottles etc. The subcategory has been growing healthily at a CAGR of approximately 4.7% from approximately RMB2,739.0 million in 2013 to approximately RMB3,291.8 million in 2017. As production base of low-end plastic products are shifting to be clustered in Southeast Asia, the market in the PRC is expected to grow at a much slower rate, posting a CAGR of approximately 1.9% from 2017 to 2022, reaching approximately RMB3,610.9 million by 2022.

Export from the PRC and Hong Kong

As there are numerous plastic bottles and baby feeding accessories OEM manufacturers located in the PRC and Hong Kong, these two regions are the key export hubs of plastic bottles and baby feeding accessories. Exports of plastic bottles and baby feeding accessories from the PRC and Hong Kong to markets around the world increased from approximately US$1,077.0 million in 2013 to approximately US$1,361.9 million in 2017, at a CAGR of approximately 6.0%.

Exports of plastic bottles and baby feeding accessories from the PRC and Hong Kong to the US market took up approximately 38.8% of the world market in 2017, which climbed from approximately US$448.8 million in 2013 to approximately US$528.7 million in 2017, rising at a CAGR of approximately 4.2%. The US is a major plastic bottles and baby feeding accessories export destination for the PRC and Hong Kong manufacturers and also one of the leading importers in the global trade of plastic bottles and baby feeding accessories, the growth in exports of plastic bottles and baby feeding accessories to the US market has been steady.

Chart 2. Plastic bottles and baby feeding accessories exports from the PRC and Hong Kong to the US and world at large, by export value, 2013–2017



Source: UN COMTRADE and Euromonitor's estimates from desk research and trade interviews with leading manufacturers/exporters of plastic bottles and baby feeding accessories as well as the relevant trade associations in mainland China and Hong Kong

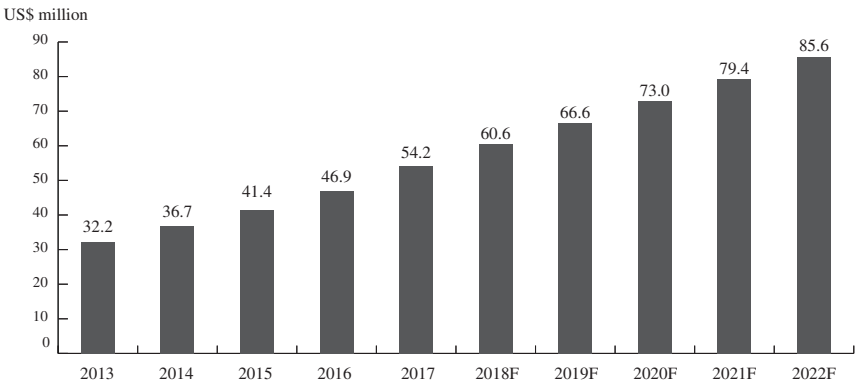
OVERVIEW OF PLASTIC BOTTLES AND BABY FEEDING ACCESSORIES SEGMENTS WHICH OUR GROUP'S OEM BUSINESS FOCUSES ON

Plastic sports bottles retail market in the US

The value sales of plastic sports bottles are growing steadily in the US, propelled by consumer interest in health and wellness and a desire to curb environmental waste through reusable beverage containers. The retail sales value of plastic sports bottles in the US increased from approximately US$591.0 million in 2013 to approximately US$706.1 million in 2017, increasing at a CAGR of approximately 4.5%. It is expected that the plastic sports bottles market should continue to grow at a CAGR of approximately 5.0% and reach US$900.2 million in 2022.

Plastic shaker bottles are a new major subcategory of plastic sports bottles, which saw accelerated growth compared to traditional sports bottles during 2013 to 2017 thanks to significant growth in powdered supplements. Continual innovations are driving up the average retail price of shaker bottles. Value sales of plastic shaker bottles in the US increased at a CAGR of approximately 13.9% from approximately US$32.2 million in 2013 to approximately US$54.2 million in 2017. It is expected that the value sales of plastic shaker bottles in the US will continue to increase at a CAGR of approximately 9.6% from 2017 to 2022 and reach approximately US$85.6 million in 2022.

Chart 3. Plastic shaker bottles retail market in US, by retail value sales, 2013–2022

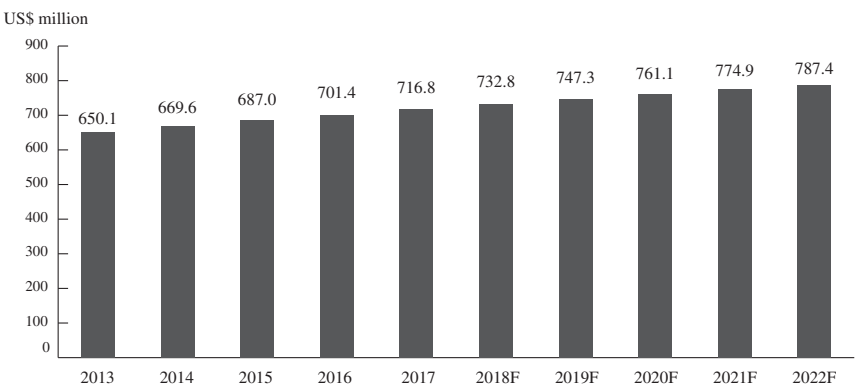


Source: Euromonitor estimates from desk research and trade interviews with leading brand owners/retailers of plastic sports bottles (especially shaker bottles) as well as the relevant trade associations in the US

Plastic bottles, cups and tableware for infants and toddlers retail market in the US

Retail value sales of plastic bottles, cups and tableware for infants and toddlers in the US have grown at a moderate rate from approximately US$650.1 million in 2013 to approximately US$716.8 million in 2017, representing a CAGR of approximately 2.5%. Flat to low birth rates in the US in the future are expected to result in similarly flat growth of baby and toddler bottles and feeding accessories retail market in the US, which is expected to reach approximately US$787.4 million in 2022, rising at a CAGR of approximately 1.9% from 2017 to 2022.

Chart 4. Plastic bottles, cups and tableware for infants and toddlers retail market in the US, by retail value sales, 2013–2022



Source: Euromonitor estimates from desk research and trade interviews with leading brand owners/retailers of plastic bottles, cups and tableware for infants and toddlers as well as the relevant trade associations in the US

Plastic bottles, cups and tableware for infants and toddlers in the US are generally dishwasher-safe, lightweight and free of BPA and phthalates. Products are designed to withstand being dropped and tossed, as children often do, and often feature child-friendly images such as animals and characters from popular animated films and TV shows. The huge success of many animated films and TV shows targeted to children has inspired manufacturers to license images of characters for

use on their products as a means to drive sales. Licensed products using imagery from popular children's TV shows, movies, and toys are extremely common in the market, and boost the average retail price of plastic bottles, cups and tableware for infants and toddlers in the US.

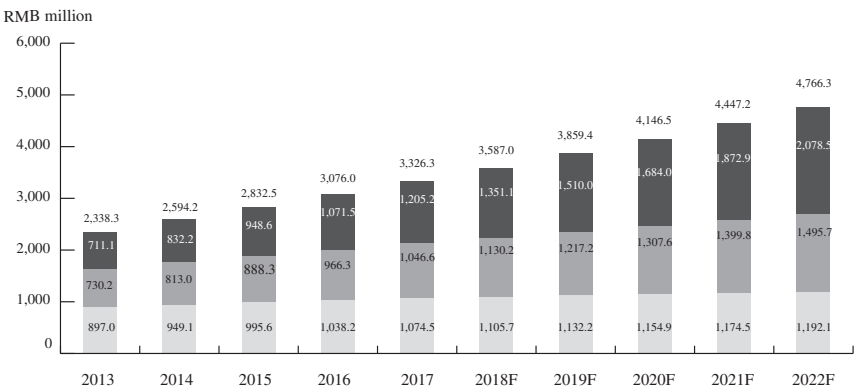
In recent years, the negative health effects on children from BPA and phthalates led the US government to ban BPA and several phthalates in products intended for use in the feeding of children. This most recent development in the plastic bottles, cups and tableware for infants and toddlers market has led to innovations in new materials for plastic products on the market. In recent years, plastic baby feeding bottles in PP, PPSU and Tritan are gaining popularity. These new materials are BPA and phthalate free and promise a greater measure of safety than products using those controversial chemicals.

OVERVIEW OF PLASTIC BOTTLES AND BABY FEEDING ACCESSORIES SEGMENTS WHICH OUR GROUP'S OWN BRAND FOCUSES ON

Plastic bottles, cups and tableware for infants and toddlers retail market in the PRC

The plastic bottles, cups and tableware for infants and toddlers retail market in the PRC has been experiencing rapid growth in the past few years. The market reached a total retail value sales of approximately RMB3,326.3 million in 2017 from approximately RMB2,338.3 million in 2013, representing a CAGR of approximately 9.2%. The abolishment of the one-child policy in the PRC, as well as a stable and growing birth rate, are beneficial to the overall market. Supported by the growing population of babies and toddlers, and the popular scientific child-rearing concept in the PRC, total retail value sales is expected to grow at a CAGR of approximately 7.5% from 2017 to 2022, reaching approximately RMB4,766.3 million by 2022.

Chart 5. Plastic bottles, cups and tableware for infants and toddlers retail market in the PRC, by retail value sales, 2013–2022



	plastic baby feeding bottles	plastic toddler's cups	plastic baby & toddler tableware
CAGR 2013–2017	4.6%	9.4%	14.1%
CAGR 2017–2022	2.1%	7.4%	11.5%

Source: Euromonitor estimates from desk research and trade interviews with leading brand owners/retailers of plastic bottles, cups and tableware for infants and toddlers as well as the relevant trade associations in mainland China

OPERATIONAL COSTS

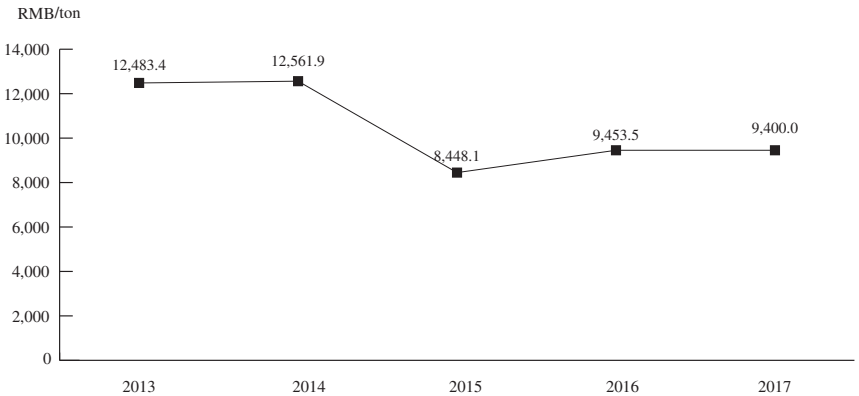
Raw material

The major raw materials used in plastic bottles and baby feeding accessories manufacturing is plastic resin, which mainly include PE, PP, PPSU, PES and Tritan, among which PP and Tritan are the most commonly used materials by our Group in manufacturing of plastic bottles.

PP

The price of PP is highly correlated with the oil prices in the upstream industry and has fluctuated during 2013 to 2017. According to the public plastic pricing source in the PRC, the average price of PP climbed up from approximately RMB12,483.4 per ton in 2013 slightly to approximately RMB12,561.9 per ton in 2014. It then dropped to approximately RMB8,448.1 per ton at the end of 2015. This was mainly caused by depression of oil price in the upstream industry. In 2016, the rising crude oil price, increasing market demand and decline in PP inventories of leading petrochemical corporations reversed this downward trend and the price has ascended by approximately 11.9% to approximately RMB9,453.5 per ton in December 2016. By end of 2017, the price of PP stabilised at approximately RMB9,400.0 per ton.

Chart 6. Pricing index of PP in the PRC, 2013–2017



Source: China Chemical Product Website

Note: Pricing index of PP is calculated based on the average national selling price of all PP products settled by all petrochemical corporations on the last trading day of a year

Tritan

In addition to PP, Tritan is the latest raw material for plastic bottles and baby feeding accessories manufacturing. Tritan stands for Eastman Tritan™ Copolyester, and is a copolyester developed and patented by Eastman Chemical Company. It is a leading solution for food contact applications such as water bottles and infant care products like baby feeding bottles, due to its performance and processing attributes (e.g. heat-resistance, toughness and durability) and BPA free properties. Additionally, Tritan can be widely applied in manufacturing of houseware products, medical devices and consumer goods. Products made from Tritan are impact and shatter resistant and can stay clear and durable after years of repeated use and dishwasher cycles. The average unit price of Tritan that we purchased was approximately HK$35.0 per kg, HK$35.0 per kg and HK$37.3 per kg for each of the years ended 31 December 2015, 2016 and 2017, respectively.

Labour

Apart from raw material costs, labour cost represents a large proportion of the total operational costs as well. In Guangdong Province, being the main OEM manufacturing cluster of plastic bottles and baby feeding accessories, the monthly minimum wage has risen from approximately RMB1,550.0 in 2013 to RMB1,895.0 in 2017 at a CAGR of approximately 4.5%. These rising labour costs caused increases in operational costs for plastic bottles and baby feeding accessories manufacturers in the PRC. As laid out in the 13th Five-Year Plan, China's GDP as well as per capita disposable income for both rural and urban residents are targeted to double by 2020 compared to 2010. The continuous increases in per capita disposable income and expenditure indicate a high probability of the minimum wage rising along with the higher living standards and greater consuming power. Both urban and rural residents are expected to see a further increase in the disposable income, together with a higher level of labour costs.

COMPETITIVE LANDSCAPE

Overview of plastic bottles and baby feeding accessories OEM manufacturers in the PRC and Hong Kong

Hong Kong remains an important international sourcing centre for plastic bottles and baby feeding accessories. Most Hong Kong-based manufacturers have relocated their production bases to the PRC, in order to capitalise on lower labour and production costs and the abundance of skilled workers in the PRC, while maintaining local operations in Hong Kong to focus on sourcing, marketing and designing of products. The leading players in this market typically locate their factories in the Guangdong province.

Leading plastic bottles and baby feeding accessories OEM manufacturers typically offer a full range of plastic products including tableware, kitchenware, non-electric cooking appliances and sanitary ware. Hong Kong-based leading players generally place a strong emphasis on plastic sports bottles and plastic baby feeding bottles manufacturing. Other notable products in their portfolio include household cleaning items, cleaning brushes, stainless steel products and plastic food containers.

Ranking of plastic bottles and baby feeding accessories OEM manufacturers in the PRC and Hong Kong in terms of export value to the US

According to Euromonitor, the plastic bottles and baby feeding accessories export industry in Hong Kong and the PRC is a mature and fragmented market. Among all the OEM manufacturers who export from Hong Kong and the PRC, the top five leading OEM manufacturers represented approximately 10.3% of the total value of plastic bottles and baby feeding accessories export from Hong Kong and the PRC to the US in 2017, indicating a highly fragmented market. Such high fragmentation largely results from the low cost of plastic bottles and baby feeding accessories production in comparison to other consumer goods, and robust demand from the global market.

The table below lists out the top five leading plastic bottles and baby feeding accessories OEM manufacturers in the PRC and Hong Kong, in terms of export value of plastic bottles and baby feeding accessories from Hong Kong and the PRC to the US in 2017, according to Euromonitor:

Chart 7. Top five plastic bottles and baby feeding accessories OEM manufacturers in the PRC and Hong Kong by export value to the US in 2017

Ranking	Players in the PRC and Hong Kong	Export value to the US (FOB price, US$million)	Market share (%)	Main products	Production base in the PRC
1	Our Group	17.3	3.3	Plastic sports bottles, plastic bottles, cups and tableware for infants and toddlers	Shaoguan, Guangdong
2	Competitor A	15.9	3.0	Plastic sports bottles, plastic baby and toddler bottles, disposable plastic tableware	Heyuan, Guangdong
3	Competitor B	9.4	1.8	Toys and feeding utensil products	Foshan, Guangdong
4	Competitor C	6.3	1.2	Plastic sports bottles	Huizhou, Guangdong
5	Competitor D	5.2	1.0	Plastic sports bottles, water bottles	Shenzhen, Guangdong

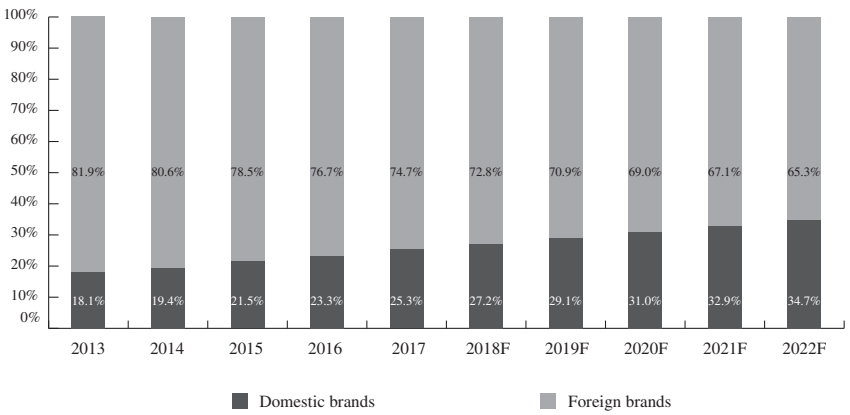
Source: *Euromonitor estimates from desk research and trade interviews with leading manufacturers/exporters of plastic bottles and baby feeding accessories as well as the relevant trade associations in Hong Kong and mainland China*

Note: The market share data reported above has been determined via a fieldwork program consisting of desk research and trade interviews. The scope of plastic bottles and baby feeding accessories are covered under the HS code 392410 (plastic kitchenware and tableware). The market share is calculated based on the total value of plastic bottles and baby feeding accessories export from Hong Kong and the PRC to the US.

Domestic brands in the plastic bottles, cups and tableware for infants and toddlers market in the PRC

The plastic bottles, cups and tableware for infants and toddlers market in the PRC is mainly led by foreign brands since they are perceived as being safe, having high quality and targeting high-end segment and are preferred by parents in higher tier cities, especially families from the growing middle class, while domestic brands are focusing on mass and mid- to high-end market. However, domestic brands have gradually gaining market share from foreign brands in recent years, driven by the increasing number of domestic brands, improvement in product design and product quality, as well as the growing brand awareness. In 2017, the market share of domestic brands increased to approximately 25.3%. Domestic brands' market share is expected to increase during the forecast period and reach approximately 34.7% in 2022. Leading domestic brands are present throughout the country and are enhancing their brand awareness and loyalty among retail customers via various marketing activities such as low-pricing strategy, online promotions, membership programs and exhibitions, etc. The "Yo Yo Monkey (優優馬騮)" brand took up a market share of approximately 0.6% of the total plastic bottles, cups and tableware for infants and toddlers market in the PRC for the year ended 31 December 2017.

Chart 8. Market share of domestic brands and foreign brands in plastic bottles, cups and tableware for infants and toddlers retail market in the PRC, by retail value sales, 2013–2022



Source: Euromonitor estimates from desk research and trade interviews with leading brand owners/retailers of plastic bottles, cups and tableware for infants and toddlers as well as the relevant trade associations in mainland China

ENTRY BARRIERS

Difficult to build relationships with large corporations

In general, most of the established OEM manufacturers within the industry have stable relationships with their clients, including large corporations. It is difficult for new entrants to form and develop relationships with large clients, as it takes time and effort to build long-term relationships and new entrants lack an established reputation and marketing channels.

Besides, for the plastic bottles and baby feeding accessories industry, the OEM manufacturers and its customers generally develop a high degree of mutual reliance.

For the plastic bottles and baby feeding accessories industry, OEM manufacturers, especially leading manufacturers, tend to maintain a limited number of customers and generate the majority of revenue from around two to four major customers primarily because:

— the resources of the OEM manufacturers, such as manpower for routine communication and after sales services, can be more focused and more tailored to the specific needs of the major customers;

— the frequent recalibration of equipment and machinery for a vast variety of products from a large number of customers is costly and hinders production efficiency; and

— the customers prefers the OEM manufacturers to serve a limited number of customers to avoid trade secrets being leaked to their competitors.

For the plastic bottles and baby feeding accessories industry, the customers of the OEM manufacturers tend to maintain a limited number of OEM manufacturers as suppliers and procure the majority of products from less than five major suppliers primarily because:

— the products are for food and drinks consumption, therefore consistent product specification and quality are vital for the retail market, where slight variations of product specification and quality for any product unit might not be regarded as genuine products of the brand and might seriously damage brand reputation; and

— the cost to manage a vast number of suppliers is high given the expenses for factory and product inspection and other routine administrations would increase.

High initial capital requirement

A major entry barrier to the OEM manufacturing industry of plastic bottles and baby feeding accessories is the substantial amount of initial capital investment, including investment in procurement or rental of the plant, manufacturing equipment, product research and development, warehouses, etc. At least RMB50 million is required to establish a manufacturing plant and to procure all the necessary machinery, which represents a high initial capital requirement.

Industry expertise and manufacturing techniques

Established leading players have the ability to handle delicate mould design and fabrication, thermal shock test on plastic material and to produce compatible parts with water leak proof and high drop resistance. They also have extensive industry expertise and experience in manufacturing of high-end products of high quality. However, it is difficult for small factories to manufacture products with high engineering skills in the PRC.

MARKET CHALLENGES

Quality scandals pose threats on market development

One of the market constraints is the concern about product quality and safety. Numerous quality scandals in the past years, such as issues with BPA, have damaged the reputation of Chinese products both nationally and globally. In addition, Chinese consumers are sceptical of products made in China, therefore, quality scandals have hindered the development of the OEM industry.

Economic slowdown affects the growth of OEM manufacturing industry

Another major constraint on plastic bottles and baby feeding accessories manufacturing is the overall economic slowdown in the PRC. Since domestic sales are still the main source of OEM manufacturers' profits, domestic economic slowdown has restrained the domestic demand and further affected the production of various types of plastic bottles and baby feeding accessories.

Increasing labour costs and operational costs have become a constraint for the OEM industry

The labour costs in China have risen significantly over the past few years. Rising labour costs and operational costs are putting pressure on the OEM industry and erode profit margins of manufacturers. In addition, due to lower labour costs in Southeast Asian countries, plastic bottles and baby feeding accessories brand owners may plan to cooperate with manufacturers in these countries. Therefore, rapid growth in labour and operational costs may hinder growth in the OEM market.

Decreasing birth rate in Europe and the US markets lowers demand for plastic baby feeding bottles

Following the global financial crisis in 2008, birth rates have been tumbling around the world especially in advanced countries such as the US. The decrease of fertility rates in the European and US markets have had a significant impact on demand for plastic baby feeding bottles. As a result, exports of plastic baby feeding bottles from the PRC to developed countries have been constrained.

Use of plastic products are discouraged

Environmentalists have long discouraged the use of plastic products as plastic is not biodegradable and is considered environmentally unfriendly. Governmental bodies have introduced policies to discourage the use of plastic products.

MARKET GROWTH DRIVERS

Growing domestic demand for plastic bottles and baby feeding accessories drives the OEM manufacturing industry

In the PRC, the domestic demand for plastic bottles and baby feeding accessories has been rising continuously in recent years. With the increasing awareness of health and wellness, Chinese consumers are leading healthier lifestyles by drinking more water on a daily basis. In addition, the rise in public awareness of sports and fitness is boosting interest in sports activities among Chinese people. Therefore, there is a growing demand for plastic water bottles, including plastic sports bottles. In addition, the rising baby and toddler population is boosting domestic demand for plastic baby and toddler bottles and feeding accessories. Hence, the development of OEM manufacturing industry of plastic bottles and baby feeding accessories in the PRC is underpinned by the constantly rising domestic demand.

OEM industry benefits from the strong demand in overseas markets

Rising demand in overseas markets, such as in the US and Europe, coupled with increasing requirement on product quality and strong consumer sentiment, are main drivers of the OEM industry in the PRC as well.

In advanced countries, consumers are becoming increasingly aware of health and wellness trends, and interested in sport and fitness. Therefore, the demand for plastic sports bottles has been growing constantly. In addition, rising consumer awareness of the need for measures to protect the environmental is another powerful driver of demand for reusable water bottles. As a result, the OEM manufacturing industry in the PRC has benefited from the strong demand in these developed overseas markets and posted stable growth in the past few years.

International brand owners' continuous cooperation with Chinese manufacturers fostered the OEM industry

The OEM market of plastic bottles and baby feeding accessories is also driven by international brands. As many international companies believe in the growth potential of the PRC market, they are making an effort to collaborate with Chinese OEM manufacturers to achieve local production in China and thus enter the Chinese market. In addition to the high-end international brands, second-tier or emerging foreign brands have also entered the market by working with local OEM manufacturers, thus boosting the local OEM manufacturing industry.

Government support

In order to promote economic growth in the PRC, an export tax rebate has been implemented. This also helps to enhance the competitiveness of Chinese OEM manufacturers in the international market by eliminating double taxation on exported goods. This is further driven by the new notice issued in June 2009 which grants certain products higher export tax rebates. The export rebate rate for products made from plastic was raised to 13%. Therefore, favourable policies on the export industry has driven the development of the plastic bottles and baby feeding accessories export industry.

This section summarises certain aspects of the PRC, Hong Kong and the US laws and regulations which are relevant to our operations in these regions. Information contained in this section should not be construed as a comprehensive summary of the PRC, Hong Kong and the US laws and regulations applicable to us.

PRC LAWS AND REGULATIONS

The relevant laws and regulations applicable to the operations and business of the subsidiaries in the PRC are set out below:

Incorporation, operation and management of wholly foreign-owned enterprise

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (中華人民共和國公司法) (the "**Company Law**"), which was promulgated by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) (the"**SCNPC**") on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013. The newly amended Company Law has been promulgated and effective from 1 March 2014. Pursuant to the Company Law, companies are classified into categories, namely limited liability companies and limited companies by shares. The Company Law shall also apply to foreign-invested companies. According to the Company Law, the provisions otherwise prescribed by the laws on foreign investment shall prevail.

The establishment procedures, approval procedures, registered capital requirement, foreign exchange, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (the "**Wholly Foreign-owned Enterprise Law**"), which was promulgated on 12 April 1986 and amended on 31 October 2000, 3 September 2016, and the Implementation Regulations of the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) (the "**Implementation Regulations**"), which was promulgated on 12 December 1990 and amended on 12 April 2001 and 19 February 2014.

According to the latest amendment to Wholly Foreign-owned Enterprise Law on 3 September 2016, foreign-invested enterprises which do not fall within the scope of special administrative measures for foreign investment admission stipulated by the National Development and Reform Commission (中華人民共和國國家發展和改革委員會) (the "**NDRC**") and MOFCOM or approval procedures stipulated in Article 6, Article 10 and Article 20 of the Wholly Foreign-owned Enterprises Law of the PRC shall be subject to filing procedures.

Pursuant to the Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法), which was promulgated by the MOFCOM on 8 October 2016, amended on 30 July 2017 and became effective on the same date, where establishment and changes to a foreign-invested enterprise do not fall within the scope of special administration measures for foreign investment admission as stipulated by the NDRC and MOFCOM, the foreign-invested enterprise shall go through filling procedures instead of the procedures for approvals. However, where establishment and changes to a foreign-invested enterprise falls within the scope of special administration measures for foreign investment admission as stipulated by the State, the foreign-invested enterprise shall go through procedures for approvals according to the relevant laws and regulations governing foreign investment.

As to the Latest Practicable Date, our Group falls outside the scope of aforementioned special administrative measures or approval procedures.

Any investments conducted by the foreign investors and foreign-invested enterprises in the PRC shall be subject to the Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄) (the "**Guidance Catalogue**"), the latest version of which was promulgated by the NDRC and the MOFCOM on 28 June 2017 and came into effect on 28 July 2017. The Guidance Catalogue divides the foreign investment industries into the encouraged foreign investment industries, the restricted foreign investment industries and the prohibited foreign investment industries. Industries which are not listed in the Guidance Catalogue shall be classified as the permitted foreign investment industries. The core business of our PRC subsidiaries falls within the permitted category for foreign investments on a wholly-owned basis.

Laws and regulations relating to importation and exportation of goods

Pursuant to the Foreign Trade Law of the PRC (中華人民共和國對外貿易法), which was promulgated on 12 May 1994 and amended on 6 April 2004, 7 November 2016, and the Measures for the Record-keeping and Registration by Foreign Trade Dealers (對外貿易經營者備案登記辦法) (the "**Record-keeping and Registration Measures**"), which was promulgated on 25 June 2004 and came into effect on 1 July in the same year, foreign trade dealers who are engaged in the import or export of goods or technologies shall register with the MOFCOM or its authorized bodies unless such registration is not required under the laws and administrative regulations and/or by the MOFCOM.

Pursuant to the Administrative Provisions of the PRC on the Registration of Customs Declaration Entities Agents by the PRC Customs Authorities (中華人民共和國海關報關單位註冊登記管理規定), which was promulgated on 13 March 2014 and subsequently revised on 20 December 2017 and came into effect on 1 February 2018, "consignor or consignee of export or import goods" means any legal person, other organization or individual that directly imports or exports goods within the territory of the PRC. Consignors or consignees of import or export goods shall go through registration formalities with their local customs authorities in accordance with the applicable provisions. After completing the registration formalities with customs authorities, consignors or consignees of import or export goods may handle their own declarations at any customs port or any locality where customs supervisory affairs are concentrated within the customs territory of the PRC. And a PRC customs declaration registration certificate for consignor or consignee of import or export goods shall be valid for a period of two years.

Pursuant to the Customs Law of the PRC (中華人民共和國海關法) promulgated by the SCNPC on 22 January 1987 and amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016 and 4 November 2017 and related regulations, unless otherwise stipulated, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted PRC customs brokers that have registered with the PRC customs. The consignees and consignors for import or export goods and the PRC customs brokers engaged in the PRC customs declaration shall register with the PRC customs, and no enterprises or persons can make declarations without registering with the PRC customs or obtaining the relevant qualifications for declaration in accordance with the law.

Principal regulations on the inspection of import and export commodities are set out in the Law of the PRC on Import and Export Commodity Inspection (中華人民共和國進出口商品檢驗法) promulgated by the SCNPC on 21 February 1989 and amended on 28 April 2002, 29 June 2013 and 27 April 2018 and its implementation rules. According to the aforesaid law and its implementation

regulations, the Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) (the "**AQSIQ**") shall be in charge of the inspection of import and export commodities throughout the country. The local inspection and quarantine authorities set up by AQSIQ shall be responsible for the inspection of import and export commodities within areas under their jurisdiction. The import and export commodities that are subject to compulsory inspection listed in the catalogue compiled by the State administration shall be inspected by the commodity inspection authorities, and the consignor shall apply to the inspection and quarantine authorities for inspection in the places and within the time limit specified by AQSIQ. No permission shall be granted for the export of export commodities subject to mandatory inspection by the inspection and quarantine authorities until they have been found to be up to standard through inspection. While the import and export commodities that are not subject to statutory inspection shall be subject to random inspection. Consignees and consignors themselves or its entrusted agent may apply for inspection to the commodity inspection authorities.

Laws and regulations relating to processing trade agreement

According to the Provisional Measures for the Management of Examination and Approval of Processing Trade (加工貿易審批管理暫行辦法) promulgated by the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易與經濟合作部) on 27 May 1999 and effective as from 1 June 1999, operating enterprises (i.e. (i) import and export enterprises or foreign-invested enterprises responsible for signing importing or exporting contracts concerning processing trade; and (ii) processing and assembling companies licensed for processing trade business with imported materials and parts) dealing with processing trade shall apply to the competent Commerce Authority for approval. Processing trade, including Processing of Supplied Materials (來料加工) (the "**contract processing**") and Processing of Purchased Material (進料加工) (the "**import processing**"), means the operation in which all or part of raw materials, accessories, spare parts, components, packing materials in bond are imported, and then processed or assembled by domestic enterprises into finished products for export. An operating enterprise must process and export in accordance with a Processing Trade Business Approval Certificate (加工貿易業務批准證). If it is necessary to change some of the particulars of the project due to objective factors, the operating enterprise must report to the original examination and approval authority for its approval before the deadline specified in the Processing Trade Business Approval Certificate, and go through change-related formalities with the Customs.

Pursuant to the Notice of the State Council on the Implementation of Decision of the SCNPC on Authorising the State Council to Temporarily Adjust Certain Administrative Approval Items Prescribed in Laws in Guangdong Province (國務院關於執行《全國人民代表大會常務委員會關於授權國務院在廣東省暫時調整部分法律規定的行政審批的決定》的通知) ("**Notice 9**") promulgated by the State Council of the PRC on 13 January 2013, the approvals of both the processing trade business and the domestic sales of the bonded imported materials or the exported oriented manufactured goods of the processing trade business are ceased temporarily in Guangdong Province with a trial period of three years. To this end, the Bureau of Foreign Trade and Economic Cooperation of Guangdong Province (廣東省對外貿易經濟合作廳) and Guangdong Sub-Administration of General Administration of Customs of the PRC (海關總署廣東分署) promulgated the Notice on the Implementation of the Relevant Works of MOFCOM and General Administration of Customs of the PRC on the Reformation of the Approval of Processing Trade in Guangdong Province (廣東省外經貿廳海關總署廣東分署貫徹落實商務部海關總署關於廣東省加工貿易審批改革有關工作的通知) ("**Notice 68**") on 8 August 2013. According to Notice 68, enterprises in Guangdong Province should conduct the cargo filing procedure of processing trade

business in customs with the Certificate of State of Operation and Production Capacity of the Trade Processing Enterprise (加工貿易企業經營狀況及生產能力證明) (the "**COPCPTE**") issued by the competent commerce authority and relevant documents required by customs.

Pursuant to the Announcement of the Ministry of Commerce and the General Administration of Customs [2016] No.45 (商務部、海關總署公告2016年第45號) (the "**Announcement 45**"), which is promulgated jointly by MOFCOM and General Administration of Customs on 25 August 2016 and effective from 1 September 2016, the examination and approval of processing trade contracts as well as domestic sales of bonded imported materials and parts or finished products involved in the processing trade by commerce administrations have been cancelled. Enterprises engaging in processing trade business can request the customs office to establish (modify) the processing trade handbook (account) by presenting the valid COPCPTE issued by the commerce administration or the Regulatory Commission for Special Customs Surveillance Zones (海關特殊監管區域管委會). The customs office will no longer verify relevant permits, and will establish (modify) the processing trade handbook (account) according to the scope of taxable items specified in the COPCPTE. In the event that commodities prohibited or restricted from processing trade are involved, the enterprise shall go through relevant procedures at the customs office after obtaining the approval document from the MOFCOM.

Laws and regulations relating to product sale through the internet

Pursuant to Administrative Measures for Online Trading (網絡交易管理辦法), which was promulgated by State Administration for Industry & Commerce on 26 January 2014 and became effective on 15 March 2014, the dealers engaging in the online trading of commodities and provision of relevant services shall undergo industrial and commercial registration formalities in accordance with the law and obtain the relevant license.

When selling commodities or providing services to consumers, online commodity operators shall state such information as the business address, contact information, quantity and quality, price or expense, performance period and means, payment mode and return or placement mode of commodities or services and safety precautions and risk warning, after sales service and civil liabilities, take safety guarantee measures to ensure the safety of transaction and shall provide such commodities or services as promised.

Operators of the third-party trading platform shall enter into agreements with those operators who apply to enter into the platform for the sale of commodities or provision of services, and shall specify the rights, obligations and responsibilities of both parties relevant to aspects such as the entry into and exit of the platform, the commodity and service quality security and the protection of consumers' rights and interests.

Laws and regulations relating to labour

Employment contract

Pursuant to the Labour Law of the PRC (中華人民共和國勞動法) effective since 1 January 1995, and amended on 27 August 2009, the PRC Labour Contract Law (中華人民共和國勞動合同法) effective since 1 January 2008 and amended on 28 December 2012, and the Implementing Regulations of the PRC Labour Contract Law (中華人民共和國勞動合同法實施條例) effective since 18 September 2008, an employment relationship is established from the date when an employee commences working for an employer, and a written employment contract must be entered into on this same date. If an employment relationship has already been established with an

employee but no written employment contract has been entered into simultaneously, a written employment contract must be entered into within one month of the date on which the employee commences work. If an employer fails to enter into a written employment contract with an employee within one year of the date on which the employment relationship is established, it must pay the employee twice his/her salary for each month of the 11-month period and rectify the situation by subsequently entering into a written employment contract with the employee.

Social insurance and housing fund

As required under Regulation of Insurance for Labour Injury (工傷保險條例), Provisional Insurance Measures for Maternity of Employees (企業職工生育保險試行辦法), Regulation of Unemployment Insurance (失業保險條例), the Decision of the State Council on Setting up Basic Medical Insurance System for Staff Members and Workers in Cities and Towns (國務院關於建立城鎮職工基本醫療保險制度的決定), the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) and the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), business enterprises are obligated to provide their employees in China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance. Any enterprise that fails to make social insurance contributions in accordance with the relevant regulations may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline. If the enterprise fails to rectify the non-compliance by the stipulated deadline set out by the government authorities, it can be assessed a late fee by the relevant authority in the amount of 0.2% of the amount overdue per day from the original due date.

In addition, on 28 October 2010, the SCNPC promulgated the Social Insurance Law (中華人民共和國社會保險法), which became effective on 1 July 2011, to clarify the components of the social insurance system in China. According to the Social Insurance Law, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees. According to the Social Insurance Law, an employer that fails to make social insurance contributions may be ordered to pay the required contributions within a stipulated deadline and be subject to a late fee of 0.05% of the amount overdue per day from the original due date by the relevant authority. If the employer continues to fail to rectify the delinquent social insurance contribution payment within such stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue.

According to Regulations on Management of Housing Fund (住房公積金管理條例), promulgated on 3 April 1999 and amended on 24 March 2002, PRC enterprises must register with and be subject to review by housing fund administration centers with competent jurisdictions, and establish accounts of housing fund for their employees in entrusted banks. Enterprises are also obligated to pay and deposit housing fund in the full amount and in a timely manner. Each of the PRC enterprises and their employees are required to contribute to the housing fund and their respective deposits shall not be less than 5% of the individual employee's monthly average wage during the preceding year. Any enterprise that fails to make housing fund contributions may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement.

Occupational disease prevention and control

According to the Law of the PRC on Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法) promulgated by the SCNPC on 27 October 2001, effective on 1 May 2002 and amended on 31 December 2011, 2 July 2016 and 4 November 2017, and the Measures for Regulating Three Simultaneous Work Related to the Protective Devices for Occupational Diseases of Construction Projects (建設項目職業病防護設施"三同時"監督管理辦法) promulgated by the State Administration of Work Safety (國家安全生產監督管理總局) on 9 March 2017 and became effective on 1 May 2017, for construction projects that may cause occupational diseases, the construction units shall conduct the preliminary evaluation of occupational disease hazards, the design of facilities for the prevention and control of occupational diseases, the control effect of the occupational disease hazards, organize the acceptance check of facilities for the prevention and control of occupational diseases and establish rules and archives on occupational health management of the construction project.

Laws and regulations relating to PRC taxation

Enterprise income tax

According to the EIT Law promulgated on 16 March 2007 and amended on 24 February 2017 and the Implementation Rules of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法實施條例) effective on 1 January 2008, the income tax for both domestic and foreign-invested enterprises are at the same rate of 25% effective from 1 January 2008.

Income tax on share transfer of non-resident enterprise

Pursuant to the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises (國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告) (the "**Announcement No. 7**") promulgated by SAT and came into effect on 3 February 2015, where a non-resident enterprise indirectly transfers properties such as equity in Chinese resident enterprises without any reasonable commercial purposes with the aim of avoiding to pay enterprise income tax, such indirect transfer shall be reclassified as a direct transfer of equity in Chinese resident enterprise in accordance with Article 47 of the EIT Law. Section Two, Article Eight of the Announcement No.7 was later abolished by the Announcement of the State Administration of Taxation on Matters Concerning Withholding of Income Tax of Non-resident Enterprises at Source (國家税務總局關於非居民企業所得税源泉扣繳有關問題的公告) (the "**Announcement No. 37**"), which was promulgated on 17 October 2017 and became effective on 1 December 2017. Article Thirteen of the Announcement No.7 was also abolished by the State Administration of Taxation on 29 December 2017.

According to the Announcement No. 7, indirect transfer of PRC taxable properties that meets all of the following conditions shall be deemed as having a reasonable commercial purpose: (1) the equity relationship of the parties involved in the transfer falls under one of the following circumstances: (i) equity transferor directly or indirectly owns more than 80% of the equity of the equity transferee; (ii) equity transferee directly or indirectly owns more than 80% of the equity of

the equity transferor; or (iii) more than 80% of the equity of both equity transferor and equity transferee is owned by the same party. If more than 50% (not including 50%) of the value of the equity of an enterprise abroad is directly or indirectly from the real estate in the territory of China, the proportion in items (i), (ii) and (iii) of Paragraph 1 of this article shall be 100%. The aforesaid equity indirectly held shall be calculated based on the product of the shareholding ratios of all enterprises in the shareholding chain; (2) compared with the same or similar indirect transfer occurred without this indirect transfer, the burden of taxation in China will not be reduced on the indirect transfer that may occur again after this indirect transfer; and (3) equity transferee pays all the equity transfer consideration with its equity or equity of enterprises controlled by it (not including equity of listed enterprises).

Transfer pricing

In light of the EIT Law and the Implementation Regulations for Special Tax Adjustments (Trial) (特別納稅調整實施辦法(試行)) (the "**STA Rules**"), transactions in respect of the purchase, sale and transfer of products between, amongst others, enterprises under direct or indirect control by the same third party are defined as related party transactions.

According to the EIT Law and STA Rules, related party transactions should comply with the arm's length principle and if the related party transactions fail to comply with arm's length principle results in the reduction of the enterprise's taxable income, the tax authority has the power to make an adjustment following certain procedures.

Pursuant to the Announcement of the State Administration of Taxation on Relevant Matters relating to Improvement of the Filing of Related-Party Transactions and the Management of Contemporaneous Documentation (國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告) which was promulgated by the SAT and became effective on 29 June 2016, any resident enterprise subject to audit collection and any non-resident enterprise which has establishments or offices in China and honestly reports and pays enterprise income tax shall, in filing a tax return for the annual enterprise income tax with a tax authority, make related filings with regard to its business transactions with any related party and attach thereto the Annual Report on the Related-party Transactions of Enterprises of the People's Republic of China (2016 version). Enterprises shall prepare contemporaneous documentation based on a tax year, and submit contemporaneous documentation for the related-party transactions according to the requirements of tax authorities.

The SAT have published an announcement on issuing the Administrative Measures for Special Tax Adjustment and Investigation and Mutual Consultation Procedures (特別納稅調查調整及相互協商程序管理辦法) (the "**STA Measures**") which came into effect from 1 May 2017. According to the STA Measures, the tax authorities exercise special tax adjustment monitoring and management of enterprises via review of the reporting of connected transactions, management of contemporaneous documentation, profit level monitoring and other means. When any enterprises are found to have special tax adjustment risks, they will send a Notice of Tax Matters to the enterprise, suggesting the existence of a tax risk. An enterprise may adjust and pay taxes at its own discretion when it receives a special tax adjustment risk warning or identifies its own special tax adjustment risks. The tax authorities may also carry out special tax investigation and adjustment in accordance with the relevant provisions in regard to enterprises that adjust and pay taxes at their own discretion.

Value-added tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值税暫行條例) (the "**Provisional Regulations on VAT**"), last amended on 19 November 2017 and effective on the same day, and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in PRC or importing goods to PRC are required to pay value-added tax (the "**VAT**"). The tax rate of VAT under the Provisional Regulations on VAT is:

(i) 17% for the sales of goods, labour services or tangible personal property leasing services or import goods other than disclosed as below;

(ii) 11% for the sales of the service of transportation, posting, basic telecommunications, construction and leasing real estate, the sale of real estate and the transfer of land use right, or sell or import the goods listed below:

  (a) such agricultural products as grain, edible vegetable oil, and common salt;

  (b) tap water, heat supply, air-conditioning, hot water, gas, liquefied petroleum gas, natural gas, dimethyl ether, methane and civil-use coal products;

  (c) books, newspapers, magazines, audio-visual products, and electronic publications;

  (d) feeds, chemical fertilizers, pesticides, agricultural machineries and mulching films; and

  (e) other goods specified by the State Council;

(iii) nil for exporting good, unless otherwise specified by the State Council;

(iv) nil for selling services or intangible assets by domestic entities and individuals under the scope specified by the State Council across borders; and

(v) 6% for selling services or intangible assets other than disclosed above.

The Ministry of Finance and SAT have published a Circular on Adjusting Value-added Tax Rates (財政部、税務總局關於調整增值税税率的通知) on 4 April 2018 to announce that a taxpayer engages in a taxable sales activity for the VAT purpose or imports goods, the previous applicable tax rates 17% and 11% will be adjusted to 16% and 10% respectively. This Circular has come into force since 1 May 2018.

Withholding tax on dividends

According to the EIT Law and the Implementation Rules of the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法實施條例), non-resident enterprises which have not set up institutions or premises in the PRC, or where the institutions or premises are set up but its subsidiary's after-tax income has no actual relationship with such institutions or premises shall be subject to the withholding tax of 10% on income derived from the after-tax profit of its subsidiary. According to the Arrangements between the Mainland of the PRC and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion With Respect to Taxes On Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安

排), profit derived by a foreign investor residing in Hong Kong from PRC enterprise in which such foreign investor owns directly at least 25% equity interest is subject to the tax rate of 5% after obtaining the approval from the relevant tax bureau.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaties (關於執行税收協定股息條款有關問題的通知), which was promulgated by the SAT and became effective on 20 February 2009, all of the following requirements shall be satisfied for a party to a tax agreement to be entitled to the tax rate specified in the tax agreement for dividends paid to it by a PRC resident company: (i) such a fiscal resident who obtains dividends should be the company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the PRC domestic company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, shall reach the percentage specified in the tax agreement.

According to the Administrative Measures for Non-resident Taxpayers to Enjoy Treatments under Tax Treaties (非居民納税人享受税收協定待遇管理辦法) (the "**Administrative Measures**"), which was promulgated on 27 August 2015 and came into force on 1 November 2015, if the non-resident taxpayers are qualified for enjoying the favorable tax benefits under the tax arrangements, they could enjoy such benefits of themselves from the tax authority when they or their withholding agents make declarations to the relevant tax authority. Under the Administrative Measures, when the non-resident taxpayers or their withholding agents make declarations to the relevant tax authority, they should deliver the relevant reports and materials to the tax authority and such non-resident taxpayers and withholding agents will be subject to the follow-up management of the tax authority.

Export tax rebate

According to the Provisional Regulations on VAT and the Notice of the Ministry of Finance and the SAT on the Policies of Value-added Tax and Consumption Tax Applicable to Exported Goods and Services (財務部、國家税務總局關於出口貨物勞務增值税和消費税政策的通知) which partially came into effect since 1 January 2011 and partially came into effect since 1 July 2012, goods and services exported by export-oriented enterprises shall be eligible for VAT exemption and rebate policies. In accordance with the Regulations on the export tax rebate rate, export commodities have different tax rebate rates depending on the different types, respectively 5%, 6%, 9%, 11%, 13%, 15% and 17%.

Foreign currency exchange

The principal regulation governing foreign currency exchange in the PRC is the Foreign Exchange Administration Rules of the PRC (中華人民共和國外匯管理條例) (the "**Foreign Exchange Administration Rules**"). It was promulgated by the State Council of the PRC on 29 January 1996, became effective on 1 April 1996 and was amended on 14 January 1997 and 5 August 2008. Pursuant to the Foreign Exchange Administration Rules, the payment in and transfer of foreign exchange for current international transactions shall not be subject to the government control or restriction. Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-

related foreign exchange transactions by providing commercial documents evidencing such transactions. While convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loan are subject to registration with SAFE and approval or file with the relevant governmental authorities (if necessary).

On 30 March 2015, SAFE promulgated Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) to reform the management approach regarding the settlement of the foreign exchange capital of foreign-invested enterprises. The notice implemented a discretional foreign exchange settlement where the foreign exchange capital in the capital account of foreign-invested enterprises for which the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) has been handled can be settled at the banks based on the actual operation needs of the enterprises.

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

LAWS AND REGULATIONS RELATING TO MARKET COMPETITION, PRODUCT QUALITY AND CONSUMER RIGHT PROTECTION

Anti-unfair market competition

Competitions among the business operators in the PRC are generally governed by the Anti-Unfair Competition Law of the PRC (中華人民共和國反不正當競爭法) (the "**Anti-Unfair Competition Law**"), which was promulgated on 2 September 1993, came into effect on 1 December 1993 and was last amended on 4 November 2017, came into effect on 1 January 2018.

According to the Anti-Unfair Competition Law, corporations, other economic organizations and individuals who are engaging in the trading of goods or profit-making services shall abide by the principles of voluntariness, equality, fairness, honesty and credibility, and observe generally recognized business ethics. Operators shall not conduct acts that damage the lawful rights and interests of other operators or that disturb the socio-economic order. Such acts include, but do not limit to counterfeit, libel, malicious exclusion, commercial bribery and secret infringement.

Product quality

Product quality supervision in the PRC is generally governed by the Product Quality Law of the PRC (中華人民共和國產品質量法) (the "**Product Quality Law**"), which was promulgated on 22 February 1993 and amended on 8 July 2000, 27 August 2009. Producers and sellers shall be liable for product quality in accordance with the Product Quality Law.

Under the Product Quality Law, consumers or other victims who suffer personal injury or property damage due to product defects may claim compensation from the producer as well as the seller. The producer and the seller shall be jointly liable for the compensation. In case of violations of the Product Quality Law, the responsible authorities have the right to impose fines on the violators, order them to suspend operation, and revoke their business licenses. In serious cases, even criminal liability may be incurred.

Protection of consumer rights

The Law of the PRC on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法) (the "**Consumer Protection Law**") was promulgated on 31 October 1993 and the latest edition was amended on 25 October 2013 by the SCNPC. Business operators must abide by this law when manufacturing or selling commodities or when rendering services to consumers.

The Consumer Protection Law sets out obligations that business operators must fulfill in their dealings with consumers, such as: commodities and services provided to consumers must comply with the Product Quality Law and other relevant laws and regulations, including requirements for personal and property safety; consumers must be provided with authentic information without false or misleading propaganda concerning their commodities and services, as well as truthful and definite replies to inquiries concerning the quality and use of commodities or services provided to them; or purchase invoices or service vouchers must be issued to consumers in accordance with relevant national regulations or commercial practices, etc.

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

Where a consumer who purchases online goods for daily consumption returns the goods within seven days upon receipt thereof in accordance with provision of Consumer Protection Law mentioned above, the Interim Measures for Seven-day Unconditional Return of Online Purchased Goods (網絡購買商品七日無理由退貨暫行辦法) (the "**Interim Measures for Online Purchased Goods**") shall apply. It was promulgated on 6 January 2017 and became effective on 15 March 2017. According to the Interim Measures for Online Purchased Goods, Online sellers shall fulfill the obligation for the seven-day unconditional return of goods in accordance with the law. Online trading platform providers shall enter into agreements with online sellers on their platforms, defining their respective rights, obligations and responsibilities in relation to the seven-day unconditional return of goods.

The provision on the seven-day unconditional return of goods shall not apply to some specific goods such as goods customized by consumers, live and perishable goods, computer software and other digital products which are downloaded online or whose packages have been opened by consumers; and delivered newspapers or periodicals.

The provision on the seven-day unconditional return of goods need not apply to the goods which confirmed by consumers when they buy the same such as goods that may impact the personal safety or life or health or have their nature changed after their packages have been stripped, goods which will devalue greatly upon activation or trial, and goods whose expiration date is forthcoming, or which have defects as indicated expressly at the time of sale.

Laws and regulations relating to environmental protection

The Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the "**Environmental Protection Law**") became effective on 26 December 1989 and was amended on 24 April 2014. The Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例) (the "**Administration Regulations**") was promulgated and became effective on 29 November 1998, amended on 16 July 2017 and came into effect on 1 October 2017.

According to the Environmental Protection Law and the Administration Regulations, enterprises, public institutions and other producers and business operators that discharge pollutants shall take measures to prevent and control the environmental pollution and harm caused by waste gas, waste water, waste residues, medical waste, dust, malodorous gases, radioactive substances, noise, vibration, optical radiation and electromagnetic radiation, etc. generated during production, construction or other activities. A statement on environmental impact should be compiled for a construction project that may cause light impact on the environment, and a registration form should be filled out and submitted for a construction project that has slight impact on the environment and necessitates no environmental impact evaluation. The enterprises, public institutions and other producers and business operators shall discharge pollutants according to pollutant emission license and shall not discharge pollutants without obtaining the pollutant emission license.

Violations of the aforementioned Laws and Regulations may result in the punishment by the administrative organs. Different penalties shall be imposed depending on the individual circumstances and the extent of contamination. Such penalties include fines, the suspension of operations or shut-down or orders to close down or criminal responsibility.

Under the Law on Environmental Impact Evaluation of the PRC (中華人民共和國環境影響評價法) promulgated on 28 October 2002, which became effective on 1 September 2003, and was amended on 2 July 2016 by the SCNPC, manufacturers must prepare and file an environmental impact report setting forth the impact that the proposed construction project may have on the environment and the measures to prevent or mitigate the impact for approval by the relevant PRC Government authority prior to commencement of construction of the relevant project. New facilities built pursuant to this approval are not permitted to operate until the relevant environmental bureau has performed an inspection and is satisfied that the facilities are in compliance with environmental standards.

Laws and regulations relating to fire safety and production safety

Fire safety

According to the Fire Control Law of the PRC (中華人民共和國消防法), which was promulgated on 29 April 1998 and amended on 28 October 2008, the fire safety facility design and construction of a construction project shall conform to the state technical standards on fire control. The construction, design, contractor and the supervision units shall be legally liable for the quality of the fire safety design and construction of the project. Upon the completion of a construction project containing a fire control design conducted in accordance with requirements of the State Technical Standards on Fire Control for Engineering Construction, the project must go through acceptance check or filing on fire control in accordance with the relevant provisions.

Production safety

According to the Production Safety Law of the PRC (中華人民共和國安全生產法), which was promulgated on 29 June 2002 and amended on 27 August 2009 and 31 August 2014, production units shall comply with this law and other laws and regulations relevant to production safety, strengthen production safety management, establish and optimize the production safety responsibility system, improve the production safety conditions and ensure the safety of production. Persons in charge of the production unit shall be fully responsible for the production safety of the unit. Employees in the production unit are entitled to be secured of production safety and shall carry out its own obligations with respect to the production safety. For those do not comply with the laws, the regulatory authorities have the right to impose fines, order them to suspend operations and revoke their business licenses. Criminal liability may be incurred in serious cases.

Laws and regulations relating to intellectual property

Patents

The PRC began reviewing patent applications and granting patents under the PRC Patent Law (中華人民共和國專利法) which was promulgated in 1984 and amended in 1992, 2000, 2008 respectively. Types of patents protected under the PRC Patent Law include invention patent, utility model patent and design patent. Persons or entities who use patents without the consent of the patent owners, make counterfeits of patented products, or engage in activities that infringe upon patent rights are held liable to the patent owner for compensation and may be subject to fines and even criminal punishment.

The patent prosecution system in the PRC is different in many ways from that in other countries. The patent system in the PRC uses the principle of first to file. This means that when more than one person file a patent application for the same invention, the patent will be granted to the person who files the application first. In addition, the PRC requires absolute novelty in order for an invention to be patentable. Therefore, in general, a patent will be denied if it is publicly known in or outside of the PRC. Furthermore, patents issued in the PRC are not enforceable in Hong Kong, Taiwan and Macau, each of which has an independent patent system.

Under the PRC Patent law, utility model patents are valid for ten years commencing on their respective application dates. The products seeking utility model patent protection must possess such characteristics as novelty and innovation and the grant of the utility model patent is subject to disclosure and publication requirement upon application. Utility model patent is granted and registered upon application unless there are reasons for the patent administrative authority to reject the application after its preliminary review.

Trademarks

Both the PRC Trademark Law (中華人民共和國商標法) which was promulgated in 1982 and amended in 1993, 2001 and 2013, and the Implementation Regulation of the PRC Trademark Law (中華人民共和國商標法實施條例) which was promulgated by the State Council of the PRC in 2002 and amended in 2014 give protection to the holders of registered trademarks. The Trademark Office under the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局商標局) (the "**Trademark Office**") handles trademark registrations and grants a term of ten years to registered trademarks, renewable every ten years. Trademark license agreements must be filed with the Trademark Office or its regional counterparts.

Copyright

Copyright of authors in their literary, artistic and scientific works is governed by the Copyright Law of the PRC (中華人民共和國著作權法), which was promulgated on 7 September 1990 and became effective on 1 June 1991, amended on 27 October 2001 and 26 February 2010, and the Implementing Regulations of the Copyright Law of the PRC (中華人民共和國著作權法實施條例), which was promulgated on 2 August 2002 and became effective on 15 September 2002, amended on 8 January 2011 and 30 January 2013. Works of Chinese citizens, legal persons or entities without legal personality, whether published or not, enjoy copyright in accordance with the law. The copyright includes the right of publication, the right of authorship, the right of alteration, the right of integrity, the right of reproduction, the right of distribution, the right of rental, the right of exhibition, the right of performance, the right of showing, the right of broadcasting, the right of communication of information via network, the right of cinematization, the right of adaptation, the right of translation and the right of compilation. The copyright shall be generated on the date when the creation of a work is completed. An author's rights of authorship, alteration and integrity continue in perpetuity. As for the works of a legal person or entity without legal personality, the term of protection for other rights shall be 50 years and shall end on 31 December of the 50th year after the work's first publication.

Overseas investment by domestic residents

Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment and Financing and Round-trip Investment Conducted by PRC Residents via Special-Purpose Companies (國家外匯管理局關於境內居民通過特殊目的公司境外投資融資及返程投資外匯管理有關問題的通知) ("**SAFE Circular No. 37**"), which was promulgated and effective on 4 July 2014, replaces Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Financing and Round-trip Investment Conducted by PRC Residents via Special-Purpose Companies (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) ("**SAFE Circular No. 75**"). According to SAFE Circular No. 37, prior to making contribution to a Special-Purpose Company ("**SPC**") with legitimate holdings of domestic or overseas assets or interests, a Mainland resident shall apply to the relevant Foreign Exchange Bureau for foreign exchange registration of overseas investment. Mainland resident individuals shall refer to Chinese citizens holding the identity cards for Mainland residents, military identity documents or identity documents for Chinese armed police force, and overseas individuals who do not hold any Mainland legal identity document, but who have habitual residences within the territory of China due to relationship of economic interests. After a SPC has completed overseas financing, if the funds raised are repatriated to the Mainland for use, relevant Chinese provisions on foreign investment and external debt management shall be complied with.

Under the relevant rules, failure to comply with the registration procedures set forth in SAFE Circular No. 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also incur penalties under PRC foreign exchange administration regulations to relevant domestic resident.

On 13 February 2015, SAFE promulgated the Circular on Further Simplifying and Improving Direct Investment-related Foreign Exchange Administration Policies (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (Huifa [2015] No. 13) (the "**Circular No. 13**"), which went into effect on 1 June 2015. Circular No. 13 simplifies the foreign exchange registration

procedures for foreign direct investment and overseas direct investment, enables enterprises to handle it in a designated foreign exchange bank, and abolishes the capital contribution confirmation registration procedures. The foreign exchange registration procedure for direct investment is delegated to local banks which, after reviewing the documents a foreign-invested enterprise submits, will complete the registration through the online Capital Account Information System managed by SAFE.

M&A Rules and overseas listings

On 8 August 2006, six PRC Governmental and regulatory agencies, including MOFCOM and the CSRC, promulgated the Regulations on Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"), a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006 and amended on 22 June 2009.

According to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

HONG KONG LAWS AND REGULATIONS

As at the Latest Practicable Date, subsidiaries of our Company in Hong Kong are required to comply with the laws of Hong Kong generally and there are no particular laws or regulations of Hong Kong in relation to the licences and permits which are required for the operation of our business in Hong Kong. The following sets forth Hong Kong laws which have a material impact on our businesses conducted in Hong Kong.

Laws relating to product liability and consumer protection

Toys and Children's Products Safety Ordinance

The Toys and Children's Products Safety Ordinance (Chapter 424 of the Laws of Hong Kong) ("**TCPSO**") imposes a statutory duty on manufacturers, importers and suppliers of toys and children's products to ensure that the goods and products are reasonably safe. Under the TCPSO, all toys and children's products manufactured, imported or supplied for consumption in Hong Kong must comply with one of three sets of safety standards for toys, while children's products must comply with the corresponding standards set out in a schedule to the TCPSO. Under the TCPSO, the Commissioner of Customs and Excise of Hong Kong has the power to serve a recall notice on a person, requiring the immediate withdrawal and retrieval of any toys or children's products which he believes to be unsafe and may cause serious injury.

The Toys and Children's Products Safety (Additional Safety Standards or Requirements) Regulation (Chapter 424C of the Laws of Hong Kong) imposes three additional safety standards or requirements for toys and children's products which are, namely, (i) "identification markings" which requires all toys and children's products to carry the full name, trade mark or other identification mark and the local address of the manufacturer, importer or supplier in English, Chinese or both languages; (ii) "bilingual safety warning or caution" which requires that, where a toy or children's product or its packaging is marked with, or where a label affixed to a toy or children's product or its packaging or a document enclosed in its packaging contains, any warning or caution with respect to its safe keeping, use, consumption or disposal, such warning or caution must be legible and in both English and Chinese; and (iii) "concentration of phthalates in toys and children's products" which provides for the control on the concentration limits of six types of phthalates in toys and children's products.

Consumer Goods Safety Ordinance

Apart from specific legislation such as TCPSO, there are several pieces of legislation dealing with general product safety requirements in Hong Kong, one of which being the Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) (the "**CGS Ordinance**"). Under the CGS Ordinance, all consumer goods (except those listed in the schedule of the CGS Ordinance) must comply with the general safety requirements or the safety standards and specifications approved by the Secretary for Commerce and Economic Development of Hong Kong.

The CGS Ordinance imposes a statutory duty on manufacturers, importers and suppliers to ensure that the consumer goods they supply are reasonably safe, having regard to all the circumstances, including (a) the manner in which, and the purpose for which, the consumer goods are presented, promoted or marketed; (b) the use of any mark in relation to the consumer goods and instructions or warnings given for the keeping, use or consumption of the consumer goods; (c) reasonable safety standards published by a standards institute or similar body for consumer goods of the description which applies to the consumer goods or for matters relating to consumer goods of that description; and (d) the existence of any reasonable means to make the consumer goods safer. The CGS Ordinance also provides a defence of due diligence.

Any person who supplies, manufactures or imports into Hong Kong unsafe goods commits an offence and is liable to a fine of HK$100,000 and an imprisonment of one year on first conviction, and HK$500,000 and two-year imprisonment on subsequent conviction. Those unsafe goods shall be liable to be destroyed.

The Consumer Goods Safety Regulation (Chapter 456A of the Laws of Hong Kong) requires that any warning or caution with respect to the safe keeping, use, consumption or disposal of any consumer goods must be given in both Chinese and English. Further, the warning or caution must be legible and placed in a conspicuous position on the consumer goods themselves, on any package of the consumer goods, on a label securely affixed to the package or on a document enclosed within the package.

Contractual obligations and the Sale of Goods Ordinance

In Hong Kong, contracts for the sale of goods are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). The quality or fitness requirements of the goods supplied are often treated as an implied term of the sale contract; and that ordinance governs the meaning of certain implied conditions and warranties. The Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong) regulates civil liability and has an impact on the

effectiveness of any terms in the contract which seeks to avoid civil liability for breach of contract, negligence or other breaches of duty. Both of these statutes seek to supplement and codify the common law position and provide further protection to consumers or users as contracting parties.

Tortious obligations

Besides contractual duties, there may also be duties of care owed by suppliers, manufacturers and importer of goods under the common law and in particular, under the law of negligence. For example, there is a duty of care owed by the importer and supplier of products and that duty is owed to consumers of such products. If a manufacturer, importer or supplier discovers or has reasons to believe that its product may be unsafe, he may have to cease to supply the product in its unsafe form. Where the risk of injury is high, the required standard of care will also be high. Any person who undertakes to manufacture, import or supply a product, and who negligently performs his work and causes damage to other person or property, will be liable as a result. Some products may carry inevitable risk upon use. A dangerous product can be safe if sufficient precaution is taken in handling or use, hence there may be a duty to provide proper labelling, and adequate and clear instructions for handling and use of the product so as to warn the users of their products against a foreseeable danger.

Laws and regulations relating to the transfer pricing regulations

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**IRO**") contains the provisions relevant to pricing for intra-group transactions. It contains provisions which require the adoption of the arm's length principle for pricing in transactions between associated enterprises.

Section 20(2) of the IRO provides that where a non-resident person conducts transactions with a "closely connected" resident person in such a way that if the profits arising in Hong Kong are less than the ordinary profits that might be expected to arise, the business performed by the non-resident person in pursuance of his or her connection with the resident person shall be deemed to be carried on in Hong Kong, and the non-resident person shall be assessable and chargeable with tax in respect of his or her profits from such business in the name of the resident person.

Pursuant to section 20A of the IRO, a non-resident person shall be chargeable to tax in respect of such profits. The IRD may also make transfer pricing adjustments by disallowing expenses incurred by the Hong Kong resident under sections 16(1), 17(1)(b) and 17(1)(c) of the IRO and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the IRO.

In December 2009, the IRD released Departmental Interpretation and Practice Notes No.46 ("**DIPN 46**"). DIPN 46 provides clarifications and guidance on the IRD's views on transfer pricing and how it intends to apply the existing provisions of the IRO to establish whether related parties are transacting at arm's length prices. In general the practices followed by the IRD would not differ from the transfer pricing methodologies recommended by the Organisation for Economic Co-operation and Development Transfer Pricing Guidelines.

UNITED STATES LAWS AND REGULATIONS

During the Track Record Period, a majority of our products were sold and delivered to the United States. Certain US federal and state product safety laws and regulations and other laws and regulations may be applicable to our products sold to the United States. The laws, rules and

regulations with the most significant impact on our operations are described below. However, other US federal, state and local laws may also impose certain obligations on us and affect our products sold within the United States.

Product liability laws — General

Product liability regulations are not generally promulgated under US federal law, but rather state law in the United States, most of which are based on common law. Although differences do exist, the vast majority of states have adopted similar laws that share common principles as discussed below. Parties involved in manufacturing, distributing or selling a product may be subject to liability for harm caused by a defect in that product. There are three types of product defects, namely, design defects, manufacturing defects and defects in marketing. Product liability claims may be based on negligence, strict liability or breach of warranty. In a negligence claim, a defendant may be held liable for personal injury or property damage caused by the failure to use due care. Strict liability claims, however, do not depend on the degree of carefulness by the defendant. A defendant is liable when it is shown that an injury (personal or to property) occurred as the result of a product's defect. Breach of warranty is also a form of strict liability in the sense that a showing of fault is not required. The plaintiff need only establish the warranty was breached, regardless of how that came about. Companies that manufacture, distribute or sell a product in a particular state would fall under the jurisdiction of such state's product liability laws, whether the company's jurisdiction of incorporation or principal place of business is in that state, in another US state or in a non-US jurisdiction.

The Food and Drug Administration ("FDA") and Federal Trade Commission ("FTC") regulations

Our products marketed in the United States are regulated by the Consumer Product Safety Commission ("**CPSC**") pursuant to various federal laws, including the Consumer Product Safety Act ("**CPSA**"), Child Safety Protection Act, Federal Hazardous Substances Act and the Poison Prevention Packaging Act. Both the FDA and the CPSC can require the manufacturer of defective products to repurchase or recall these products and may also impose fines or penalties on the manufacturer.

At the federal level, the FDA regulates the material content of food contact materials and drug packages our Group manufactures pursuant to the Federal Food, Drug and Cosmetic Act. The CPSC further regulates our products pursuant to various federal laws, including the CPSA, Child Safety Protection Act, Federal Hazardous Substances Act and the Poison Prevention Packaging Act. Both the FDA and the CPSC can require the manufacturer of defective products to repurchase or recall these products and may also impose fines or penalties on the manufacturer.

Each component used in an article that will be in direct contact with food must either be authorized under FDA's regulations, be the subject of a premarket notification filed with the agency, or otherwise meet a basis for exemption from these requirements in the FDA's regulations. In addition, laws exist in certain states (such as the law known as "Proposition 65" in California) restricting the sale of food contact materials and packaging with levels of certain substances, such as heavy metals and bisphenol-A, and imposing fines and penalties for noncompliance and/or requiring cautionary labelling.

CPSC's regulations also proscribe limitations on the use of certain substances, such as lead, in children's products, as well as choking hazard requirements for products with small parts that are intended for children. In addition, there are testing and certification requirements for children's products, to ensure that the products comply with relevant CPSC standards.

The FTC and FDA typically require a safety assessment of applicable products and as well as a reasonable basis to support any marketing claims made about such products. What constitutes a reasonable basis for substantiation can vary widely from market to market. If the safety of the products or ingredients has not been adequately substantiated, a specific warning label is required. Other warnings may also be mandated pursuant to FDA regulations. The FDA monitors compliance of consumer products through market surveillance and inspection of relevant manufacturers and distributors to ensure that the products neither have false nor misleading labelling and that they are not manufactured under unsanitary conditions. Inspections also may arise from consumer or competitor complaints filed with the FDA. In the event the FDA identifies false or misleading labelling or unsanitary conditions or otherwise a failure to comply with FDA requirements, a regulatory authority can require that the product is recalled or withdrawn from the market, or changes are made to manufacturing processes, product formulations or labels.

Product safety laws

Enacted in 1972, the CPSA is the umbrella statute for product safety in the United States, and the CPSA sets forth various laws pertaining to products sold in the United States. It also established and defined the authority of the CPSC. Pursuant to this authority, the CPSC has promulgated a series of regulations that it enforces under the CPSA. In 2008, the Consumer Product Safety Improvement Act ("**CPSIA**") was enacted and provided the CPSC with significant new regulatory and enforcement tools.

Section 14 of the CPSA provides that imported consumer products are required to bear certificates specifying compliance with applicable rules and standards under this Act. According to Section 17 of the CPSA, the importation of consumer products which fail to comply with relevant safety rules or to be accompanied by a certificate required by the CPSA will be refused importation into the United States. The CPSA provides for civil and criminal penalties with respect to the violation of the Act.

In addition, the CPSA contains several reporting requirements for manufacturers of consumer products sold in the United States. Section 15(b) of the CPSA requires manufacturers to inform the CPSC within 24 hours of obtaining information that one of their products (1) fails to comply with applicable consumer product safety rules, (2) contains certain defects, or (3) creates an unreasonable risk of serious injury or death. The CPSC may require the manufacturer to cease distribution of the affected product and notify persons to whom the product was sold or distributed of such non-compliance, defects or risk. In certain circumstances, the CPSC may require the manufacturer to bring the product into conformity with applicable consumer protection laws or regulations, repair the defect in the product, replace the product with an equivalent product that complies with relevant consumer safety rules, effect a product recall and/or refund the purchase price of the product.

Additionally, Section 37 of the CPSA requires a manufacturer to report to the CPSC any model of a consumer product that is the subject of the filing of at least three civil actions related to death or grievous bodily injury that result in final settlement or a court judgment in favour of the plaintiff within a specified 24 month period.

US law imposes a third-party testing requirement for all consumer products primarily intended for children twelve years of age or younger. Every manufacturer or private labeller of a children's product must have its product tested by an accredited independent testing laboratory and, based on the testing, must have a certificate stating that the product meets all applicable CPSC requirements. The third party testing must address conformity with limitations on lead paint (0.009 percent), limitations on lead content (300 ppm) and limitations on small parts. Furthermore, the required certificates must be in English (although they also may be in another language). They must include information on the identity of the manufacturer or private labeller of the product, the testing laboratory, and the date and place of manufacturing and testing the product.

Such required certificate must "accompany" the product or product shipment and must be available to CPSC and US Customs and Border Protection ("**CBP**") upon request. Products without the required certificate cannot be imported or distributed in commerce in the United States. The CPSC has advised that an electronic certificate is acceptable and will be considered "accompanying" a shipment if the certificate is identified by a unique identifier and can be accessed via a World Wide Web URL or other electronic means, provided the URL or other electronic means and the unique identifier are created in advance and available with the shipment. Certificates can also be transmitted electronically to a US customs broker with other customs entry documents before a shipment arrives so long as they are available to the CPSC or CBP if the product or shipment is inspected.

The CPSIA requires manufacturers to have a tracking label or other distinguishing permanent mark on any consumer product primarily intended for children twelve and younger. The tracking label must contain certain basic information, including manufacturer or private labeller, location and date of production of the product, and cohort information, including batch, run number or other identifying characteristics of the product.

Many (but not all) states also have enacted very broad consumer protection statutes, which typically provide remedies for injured consumers against businesses' fraudulent, deceptive, or unfair practices. One of the available remedies is often treble damages, and enforcement matters are often resolved by a consent order that places restrictions on the future conduct of the company.

Import regulations

Our shipments of products to the United States are subject to custom inspection and compliance. The Bureau of Customs and Border Protection, which is part of the US Department of Homeland Security, is responsible for enforcing all laws and regulations on the importation of carriers and commodities. An importer of goods and commodities to the US is responsible to exercise reasonable care to confirm that all information declared to the CBP is complete and accurate. As our OEM Business products are mainly sold on a FOB or FCA basis, we are not deemed to be the importer of our products, and this burden is borne by our customers rather than our Group.

Import tariffs

The United States generally imposes tariffs on goods imported from China, subject to the general rates applicable to most countries. Those rates are set forth in the Harmonized Tariff Schedules of the United States (the "**HTSUS**"). Our Company's products appear to fall within Chapters 39 and 40 of the HTSUS. The goods must also bear markings of the country of origin which identify where the product is made. Note that embargoes, anti-dumping duties, countervailing

duties, and other specific matters administered by the United States executive branch are not contained in the HTSUS and that various regulations or administrative actions could result in modification of these duties.

Section 201 of the Trade Act of 1974, 19 USC. § 2101 et. seq. (the "**Trade Act**") permits the President of the United States to grant temporary import relief by raising import duties or imposing non-tariff barriers (e.g., quotas) on goods entering the United States that injure or threaten to injure domestic industries producing similar goods. Section 301 of the Trade Act authorises the President of the United States to take all appropriate action, including retaliation, to obtain the removal of any act, policy, or practice of a foreign government that violates an international trade agreement or is unjustified, unreasonable, or discriminatory, and that burdens or restricts US commerce. The law does not require that the US government wait until it receives authorisation from the World Trade Organization ("**WTO**") to take enforcement actions.

Competition and antitrust laws

The US antitrust laws were developed in response to unfair business practices and anticompetitive conduct by companies, corporate monopolies and trusts. At the heart of US antitrust laws is the Sherman Antitrust Act ("**Sherman Act**"), which prohibits agreements that unreasonably restrain trade and the unilateral abuse of monopoly power. Conduct such as price-fixing, bid-rigging, limitation of output, allocation of territories or customers and exclusionary conduct to achieve monopoly are prohibited under the Sherman Act. Violation of the Sherman Act and other anti-trust laws and regulations may lead to criminal and/or civil sanctions. In addition, most states have similar statutes which likewise prohibit arrangements in restraint of trade, unfair or deceptive practices and unfair or discriminatory pricing practices. These state statutes are enforced by State Attorneys General and other state regulators, and can also be a basis of action by private litigants.

The US antitrust laws apply to businesses and individuals alike. Certain laws and regulations also have an extraterritorial reach. Pursuant to the Foreign Trade Antitrust Improvement Act of 1982, the Sherman Act would apply to conduct that occurs outside of the United States if such conduct (1) has a direct, substantial and reasonably foreseeable effect on US commerce, including US import or export commerce; and (2) gives rise to a claim under the Sherman Act. Our trade and commerce with our US clients are therefore subject to the US antitrust laws.

Intellectual property regulation

US trademark law is governed by both state and federal law. The primary federal statute is the Lanham Act. A trademark includes any word, name, symbol, slogan or device, or any combination of these, used to identify goods or services and to distinguish them from those manufactured, sold or serviced by others. Remedies for trademark infringement can include injunctions, lost profits and damages.

US patent law in the US is governed exclusively by federal law, namely the Patent Act, which secures for inventors an exclusive right to their discoveries. Types of patents recognised under US law include utility patents, design patents and plant patents. A patent is used to provide protection for the developer or creator of an innovation or new product, and works to granting such developer or creator the exclusive right to make, use and sell the patented innovation or product for a limited period of time.

SANCTIONS LAWS AND REGULATIONS

Hogan Lovells, our International Sanctions Legal Advisers have provided the following summary of the sanctions regimes imposed by their respective jurisdictions. This summary does not intend to set out the laws and regulations relating to the US, the EU, the UN and Australian sanctions in their entirety.

U.S.

Treasury regulations

The U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") is the primary agency responsible for administering U.S. sanctions programmes against targeted countries, entities, and individuals. "Primary" U.S. sanctions apply to "U.S. persons" or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons), and "secondary" U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organized under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity's domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies' foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens ("green card" holder), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to "block" (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest — no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) — except pursuant to an authorization or license from OFAC.

OFAC's comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, Syria, and the Crimea region of Russia/Ukraine (the comprehensive OFAC sanctions programme against Sudan was terminated on 12 October 2017). OFAC's limited programmes apply to Belarus, Burundi, Central African Republic, Democratic Republic of the Congo, Iraq, Lebanon, Liberia, Libya, Somalia, South Sudan, Ukraine/Russia, Venezuela, Yemen and Zimbabwe. OFAC also prohibits virtually all business dealings with persons and entities identified Specially Designated Nationals and Blocked Persons List (the "**SDN List**"). Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

Sanctions related to Lebanon

There is no general prohibition under OFAC sanctions on the exportation of goods and services to Lebanon. With certain exceptions, U.S. persons are prohibited from dealing with persons listed on OFAC's SDN List, and all property in which any blocked person has an interest is blocked if it is in the United States or in the possession or control of a U.S. person, wherever located.

Sanctions related to Myanmar/Burma

The United States historically had imposed comprehensive sanctions against Myanmar/Burma, which primarily prohibited new investment in the country and exports of financial services (exports of goods to non-SDNs were not widely restricted even in the past). Responding to democratic reforms in Myanmar/Burma, the United States eased these sanctions in 2012, allowing for the export of financial services and certain new investment, while generally continuing to prohibit transactions involving SDNs and the Burmese Ministry of Defence, state or non-state armed groups (which includes the military), or entities owned by these organizations.

On 7 October 2016, OFAC's sanctions against Myanmar/Burma were lifted in their entirety, and removed from OFAC's regulations on 16 June 2017. There are no remaining OFAC sanctions against Myanmar/Burma, although certain restricted parties in the country may continue to be designated by OFAC for their involvement in narcotics trafficking or other activities targeted by another OFAC sanctions program (e.g., global terrorism, weapons proliferation etc.).

Sanctions related to Russia

Although OFAC does not maintain comprehensive sanctions against Russia as a whole, there are multi-faceted restrictions under U.S. sanctions and export control laws and regulations.

First, there are broad OFAC sanctions that apply to the Crimea region, which prohibit U.S. persons from making any new investment in or exporting or importing any product, service or technology to or from the Crimea region (with limited exceptions). In addition to those broad primary U.S. sanctions, there is exposure to secondary U.S. sanctions for any non-U.S. person determined by the U.S. government to "operate" in the Crimea region, among other sanctionable activities identified in the relevant Executive Order.

Second, there are restrictions on dealings by U.S. persons with Russian SDNs, including entities owned by them (as explained above, SDN restrictions apply to entities owned at 50% or higher level, directly or indirectly, by SDNs). Any property of SDNs (or entities owned by them) that is in the U.S. or in the possession or control of a U.S. person is subject to blocking (freezing). In addition to those broad restrictions under primary U.S. sanctions, there is exposure to secondary U.S. sanctions for any non-U.S. person determined by the U.S. government to have provided "material assistance," financial or other support to a Russian SDN.

Third, the U.S. has imposed limited "sectoral" sanctions against designated parties in Russia's financial services, energy and defence industries, and the restrictions apply whenever there is a U.S. nexus to the transaction (including U.S. Dollar payments). The entities targeted are listed on the Sectoral Sanctions Identifications List ("**SSI List**") but have not been added to the SDN List, so these SSIs are not subject to blocking requirements noted above. Instead, OFAC has prohibited certain types of transactions with the SSIs. Specifically, OFAC issued four "directives" as outlined below:

- Directive 1: The following transactions by US persons or within the United States involving targeted companies are prohibited by Directive 1: "all transactions in, provision of financing for, and other dealings in new debt of longer than 30 days maturity or new equity of these persons..., their property, or their interests in property...".

- Directive 2: The following transactions by US persons or within the United States involving targeted companies are prohibited by Directive 2: "all transactions in, provision of financing for, and other dealings in new debt of longer than 90 days maturity of these persons, their property, or their interests in property" Unlike Directive 1, Directive 2 does not place restrictions on transacting in, providing financing for, or otherwise dealing in new equity of the entities listed pursuant to Directive 2.

- Directive 3: The following transactions by US persons or within the United States involving targeted companies are prohibited by Directive 3: "all transactions in, provision of financing for, and other dealings in new debt of longer than 30 days maturity of these persons, their property, or their interests in property" Unlike Directive 1, Directive 3 does not place restrictions on transacting in, providing financing for, or otherwise dealing in new equity of the entities listed pursuant to Directive 3.

- Directive 4: The following transactions by US persons or within the United States involving targeted companies are prohibited by Directive 4: "the provision, exportation, or reexportation, directly or indirectly, of goods, services (except for financial services), or technology in support of exploration or production for deepwater more than 500 feet, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area claimed by the Russian Federation and extending from its territory . . .".

The SSIL restrictions apply not only to the designated under the directives above, but also to entities directly or indirectly owned 50 percent or more by SSI entities, individually or in the aggregate by parties targeted under the same OFAC directive (there is no aggregation of interest held by SSIL entities targeted by different OFAC directives).

On 2 August 2017, President Trump signed into law the "Countering America's Adversaries Through Sanctions Act" ("**CAATS**"), which amended some of the existing U.S. primary sanctions against Russia and added secondary sanctions targeting certain activities involving Russia. For example, CAATS requires OFAC to amend Directive 1 by reducing the maturity term from 30 to 14 days, and Directive 2 by reducing the maturity term from 90 to 60 days, tightening restrictions on the extension of credit to SSI entities targeted by these directives. On 29 September 2017, OFAC issued amended Directives 1 and 2, indicating that the reduction of maturity term to 14 and 60 days, respectively, will be effective as of 28 November 2017. CAATS also requires OFAC to amend Directive 4, which targets certain energy projects, expanding its territorial reach beyond Russia to any location in the world where one of the targeted exploration/production projects is located so long as a Russian SSI party has at least a 33% interest in such project (OFAC has not yet amended Directive 4). CAATS also authorizes the U.S. government to designate state-owned entities in the Russian railway sector and impose sectoral sanctions upon such designations.

In addition to changes to sectoral sanctions, there are also additional secondary sanctions that were imposed by CAATS, so any persons (including non-U.S. persons) who engage in these activities could face exposure to restrictive U.S. measures even if the underlying activity has no U.S. nexus. These new Russia-related secondary sanctions target activities including: making certain investments in connection with energy export pipelines; transacting with specified parties in the Russian intelligence and defence sectors; facilitating the privatization of state assets that unjustly benefits government officials; and cybersecurity activities. Non-U.S. companies engaging in these sanctionable activities are potentially subject to the imposition of several restrictions by the

U.S. government, such as visa denials, prohibition on importation of products into the U.S., restrictions on accessing U.S. financing or processing USD payments, and even a designation as an SDN.

The U.S. has also instituted export-related restrictions for certain commercial and dual-use items subject to the U.S. Export Administration Regulations ("**EAR**") when destined to Russia for certain end-uses or end-users, as well as restrictive licensing policies under the U.S. International Traffic in Arms Regulations ("**ITAR**") for export-related transactions involving defence articles and defence services intended for end-use in Russia. These EAR and ITAR export controls are administered by the U.S. Department of Commerce Bureau of Industry and Security and the U.S. Department of State Directorate of Defense Trade Controls, respectively.

Sanctions related to Ukraine

The U.S. President issued four Executive Orders in 2014, finding that the actions and policies of the Government of Russia, including its purported annexation of Crimea and its use of force in Ukraine, continue to undermine democratic processes and institutions in Ukraine; threaten its peace, security, stability, sovereignty, and territorial integrity; and contribute to the misappropriation of its assets, and thereby constitute an unusual and extraordinary threat to the national security and foreign policy of the United States.

U.S. persons are prohibited from dealing with certain Ukrainian persons and entities listed on OFAC's SDN List; from dealing in any property in the U.S. or in the possession or control of a U.S. person in which any blocked person has an interest; and, as noted above, in making any new investment in or exporting or importing any product, service or technology to or from the Crimea region (with limited exceptions).

UN

The UN Security Council (the "**UNSC**") can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 26 sanctions regimes. There are 13 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are nine monitoring groups, teams and panels that support the work of the sanctions committees.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions.

Sanctions related to Lebanon

On October 31, 2005, the UNSC adopted Resolution 1636 (2005) imposing travel and financial sanctions in relation to Lebanon, in response to the terrorist bombing in Beirut on February 14, 2005 that killed former Lebanese Prime Minister Rafiq Hariri and 22 others. Additional sanctions measures were introduced with the adoption of Resolution 1701 (2006) following the conflict between Israel and Hezbollah in July 2006. These measures prohibit:

(a) the unauthorized supply, sale or transfer to Lebanon of arms or related material;

(b) the unauthorized provision to Lebanon of any technical training or assistance related to the provision, manufacture, maintenance or use of goods referred to above; and

(c) the use or dealing with the assets of, and the making available of assets to, persons and entities listed by the UNSC or by the Committee established by the UNSC sanctions pursuant to Resolution 1636.

The UN did not impose any country-specific sanctions against Myanmar/Burma, Russia or Ukraine during the Track Record Period.

EU

Under EU sanction measures, there is no "blanket" ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to EU sanctions where that counterparty is not a Sanctioned Person or not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures.

Sanctions related to Lebanon

On 15 September 2006, the EU adopted Council Common Position 2006/625/CFSP establishing an embargo on all arms transfers to Lebanon not authorized by the Government of Lebanon or the UN peacekeeping force in Lebanon. The embargo mirrored a UN embargo established on 11 August 2006. As with the UN embargo, the EU prohibition covers the provision of any technical training or assistance related to the supply, manufacture, maintenance or use of arms and related equipment.

Sanctions related to Myanmar/Burma

The EU Myanmar sanctions and the UK OT Myanmar sanctions prohibit:

(a) the sale, supply, transfer or export, directly or indirectly, equipment which might be used for internal repression, whether or not originating in the EU, to any natural or legal person, entity or body in, or for use in Myanmar/Burma;

(b) the provision of technical assistance related to military activities and to the provision, manufacture, maintenance and use of arms and related materiel of any type, including weapons and ammunition, military vehicles and equipment, paramilitary equipment, and spare parts for the aforementioned, directly or indirectly to any natural or legal person, entity or body in, or for use in Myanmar/Burma;

(c) the provision of technical assistance related to the equipment which might be used for internal repression, directly or indirectly to any natural or legal person, entity and/or body in, or for use in Myanmar/Burma;

(d) the provision of financing or financial assistance related to military activities, including, in particular, grants, loans and export credit insurance for any sale, supply, transfer or export of arms and related materiel, directly or indirectly to any natural or legal person, entity or body in, or for use in Myanmar/Burma; and

(e) the participation, knowingly and intentionally, in activities the object or effect of which is to circumvent the prohibitions referred to in paragraphs (a) to (d).

Sanctions related to Russia

The EU sanctions targeting Russia in place during the Track Record Period gave effect to the implementation of asset freezing provisions (i.e. "blocking" measures) which target those individuals and entities allegedly responsible for misappropriation of Ukrainian State funds and human rights violations in Ukraine, and against those individuals allegedly responsible for actions which undermine or threaten the territorial integrity, sovereignty and independence of Ukraine.

In July 2014 the EU adopted a wide-ranging package of restrictive measures via Council Decision 2014/512/CFSP and implemented pursuant to Council Regulation (EU) No. 833/2014 of 31 July 2014. Measures implemented pursuant to EU Regulation 833/2014 include;

(a) measures aimed at limiting access to EU capital markets for listed Russian State-owned companies through prohibitions on the purchase, sale, provision of investment services for or assistance in the issuance of, or otherwise dealing with transferable securities and money market instruments issued after 12 September 2014 by such companies,

(b) a prohibition on making or being part of any arrangement to make new loans or credit with a maturity exceeding 30 days to such state-owned companies,

(c) an embargo on trade in arms,

(d) an export ban for dual use goods for military end use and end users, and

(e) restrictions on access to certain sensitive technologies particularly in the oil sector.

The package was further extended on 8 September 2014 by the adoption of the Council Regulation (EU) No 960/2014, on 4 December 2014 by the adoption of the Council Regulation (EU) No 1290/2014 and on 7 October 2015 by the adoption of Council Regulation 2015/1797.

Sanctions related to Ukraine

On 5 March 2014, the Council of the EU adopted Council Decision 2014/119/CFSP providing for the freezing of funds and economic resources of persons alleged to be responsible for the misappropriation of Ukrainian State funds, and persons responsible for human rights violations in Ukraine, and natural or legal persons, entities or bodies associated with them.

Further, on 17 March 2014, the Council of the EU adopted Decision 2014/145/CFSP providing for travel restrictions and for the freezing of funds and economic resources of certain persons alleged to be responsible for actions which undermine or threaten the territorial integrity, sovereignty and independence of Ukraine, including actions on the future status of any part of the territory which are contrary to the Ukrainian Constitution, and natural or legal persons, entities or bodies associated with them.

These two Council decisions were implemented pursuant to Council Regulation (EU) No. 208/2014 of 5 March 2014 and Council Regulation (EU) No. 269/2014 of 17 March 2014. The Regulations require:

(a) all funds and economic resources belonging to, owned, held or controlled by any natural persons or natural or legal persons, entities or bodies associated with them as listed in annexures to the Regulation (currently 218 persons and entities are listed, "218 Sanctioned Parties") shall be frozen; and

(b) no funds or economic resources shall be made available, directly or indirectly, to or for the benefit of 218 Sanctioned Parties.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to UN sanctions.

Sanctions related to Myanmar/Burma

The Regulations currently prohibit: (i) the direct or indirect supply, sale or transfer to Myanmar/Burma, for use in Myanmar/Burma, or for the benefit of Myanmar/Burma, of arms or related materiel; (ii) the provision to Myanmar/Burma, or to a person for use in Myanmar/Burma, of technical advice, assistance or training, financial assistance, a financial service or other service if it assists with or is provided in relation to the direct or indirect supply, sale or transfer of arms or related materiel to Myanmar/Burma, for use in Myanmar/Burma, or for the benefit of Myanmar/Burma; and (iii) the provision to Myanmar/Burma, or to a person for use in Myanmar/Burma, of technical advice, assistance or training, financial assistance, a financial service or other service if it assists with or is provided in relation to the manufacture or use of arms or related materiel.

Sanctions related to Russia

Current Australian law sanctions against Russia include restrictions (without a sanctions permit) on (i) the supply, sale or transfer of arms or related materiel to Russia, for use in Russia, or for the benefit of Russia; (ii) the importation, purchase or transport of arms or related materiel from or originating in Russia; (iii) trading in securities or financial instruments or being part of any arrangements to make loans or credit with specified state-owned companies (iv) the provision to Russia, or to a person for use in Russia, of technical advice, assistance or training, financial assistance, a financial service or other service, if it assists with or is provided in relation to a military activity or the manufacture, maintenance or use of arms or related materiel; (v) the export or provision of goods and services for use in deep water, arctic, or shale oil exploration or production projects in Russia; and (vi) on Australian trade and investment in Crimea and Sevastopol relating to infrastructure, transport, telecommunications, energy, oil, gas and minerals sectors.

Sanctions related to Ukraine

The Australian Government announced on 19 March 2014, that it would impose a sanctions regime in response to the Russian threat to the sovereignty and territorial integrity of Ukraine. On 1 September 2014, the then Prime Minister of Australia also announced expanded autonomous sanctions in relation to Russia, Crimea and Sevastopol. These measures were implemented through amendments to the Autonomous Sanctions Regulations. Regulations implementing expanded sanctions in response to Russia's on-going threat to the sovereignty and territorial integrity of Ukraine commenced on 31 March 2015.

Currently, Australian law prohibits: (i) the use of or dealing with an asset (include an asset or property of any kind, whether tangible or intangible, movable or immovable) that is owned or controlled by a 'designated person or entity' for Ukraine; and (ii) making an asset available directly or indirectly to, or for the benefit of, a 'designated person or entity' for Ukraine, without a sanctions permit. Australia has also enacted legislation containing a consolidated list of 'designated persons and entities' for Ukraine.

Sanctions related to Lebanon

Australia has not imposed any targeted sanctions, however it does implement the UNSC sanctions regime in relation to Lebanon.

BUSINESS AND CORPORATE DEVELOPMENT

Overview

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 9 March 2017. In preparation for the [REDACTED], our Company became the holding company of our Group. Immediately following the completion of the [REDACTED] and the [REDACTED], the subsidiaries of our Company comprised of Main Success, Wancheng Plastic, On Gain, Anyu Baby, MS Industrial and CH Development. Details of the subsidiaries of our Company and the corporate structure of our Group are set out in the paragraphs headed "History, reorganisation and corporate structure — Our Group's structure and corporate history" below.

Prior to the [REDACTED], our Group underwent the Reorganisation and as a result of which, immediately following the completion of the Reorganisation, the entire issued share capital of our Company was owned as to 50% by Ching Wai Holdings and 50% by L.V.E.P. Holdings, which are wholly owned by Mr. Chau and Mr. Chung, respectively.

Immediately following the completion of the [REDACTED] and the [REDACTED], our Controlling Shareholders will own in aggregate [REDACTED] of the voting rights in our Company (without taking into account any Shares which may be allotted and issued upon any exercise of any options which may be granted under the Share Option Scheme).

Milestones of our Group

The chronological overview of the key events of development of our Group is set out below:

Date	Milestones
2007	Main Success was incorporated in Hong Kong on 6 March 2007 and was principally engaged in the manufacturing of plastic products. Started our business relationship with Racing Champions International Limited, a subsidiary of RC2 Corporation, a company listed on the Nasdaq Global Select Market, which was subsequently acquired by TOMY Company, Ltd in 2011. Wancheng Plastic was incorporated in the PRC on 20 April 2007 as a wholly-owned subsidiary of Main Success. At its establishment, the business scopes of Wancheng Plastic included manufacturing of toys, toddlers' products, plastic daily necessities as well as the domestic and export sale of products. Wancheng Plastic was certified ISO9001, GB/T19001.

Date	Milestones
2009	Started to apply "in-mould labelling" technology, a technology commonly used in fast-moving consumer goods, into plastic cups.
2010	Started our business relationship with Customer B, our first customer in Europe, in supplying plastic tablewares products.
	Started our business relationship with Customer A in supplying plastic sports bottles.
2012	Started our sale of our "Yo Yo Monkey (優優馬騮)" brand products in the PRC.
2013	Anyu Baby was incorporated in the PRC on 17 June 2013, and the business scopes of Anyu Baby included the design, production and sale of plastics, metal hardware, toys, baby and toddlers' products and daily necessities.
	Wancheng Plastic was awarded the Work Safety Standardization Certificate — 3rd Grade (other light industry)* (安全生產標準化三級企業(輕工其他)).
2015	Wancheng Plastic was awarded as 2014 Advance Enterprise of the Labour Union* (2014年度工會工作先進單位).

OUR GROUP'S STRUCTURE AND CORPORATE HISTORY

The following sets out the corporate development of each member of our Group since its date of incorporation.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 9 March 2017 with an initial authorised share capital of HK$380,000 divided into 3,800,000 Shares of HK$0.1 each. Upon completion of the Reorganisation, it became the holding company of our Group with the business conducted through the operating subsidiaries of our Group.

Please refer to the section headed "Further information about our Company — Changes in share capital of our Company" in Appendix IV to this document, for the changes in share capital of our Company.

Main Success

Main Success was incorporated in Hong Kong on 6 March 2007 as a limited liability company. It was principally engaged in the manufacturing of the plastic products. As at the date of its incorporation, one subscriber share of Main Success credited as fully paid at par was allotted and issued to the initial subscriber which was subsequently transferred to Mr. Chau at the consideration of HK$1.00 on 19 March 2007.

On 19 March 2007, Main Success allotted and issued as fully paid 4,999 shares to Mr. Chau and 5,000 shares to Mr. Chung Kwai Ching Michael, who is the brother of Mr. Chung.

In order to pursue other personal goals, Mr. Chung Kwai Ching Michael decided to exit from the company. On 10 October 2007, Ms. Cheung acquired from Mr. Chung Kwai Ching Michael all of his shares in Main Success. Mr. Chung Kwai Ching Michael thus ceased to be interested in Main Success thereafter.

In view of Mr. Chung's experience in the manufacturing industry, Mr. Chau invited Mr. Chung to join the company. On 1 August 2012, Main Success allotted and issued as fully paid 40,000 shares to Mr. Chau and 50,000 shares to Mr. Chung. Immediately after the said allotment, Main Success was owned as to 45% by Mr. Chau, 50% by Mr. Chung and 5% by Ms. Cheung.

In order to pursue other personal goals, Ms. Cheung decided to exit from the company. On 27 August 2012, Mr. Chau acquired from Ms. Cheung all of her shares in Main Success. Ms. Cheung thus ceased to be interested in Main Success thereafter. After the said transfer, Main Success was owned as to 50% by Mr. Chung and 50% by Mr. Chau.

As part of the Reorganisation, on 10 May 2017, MS Industrial acquired from Mr. Chau and Mr. Chung all of their shares in Main Success. In consideration thereof, MS Industrial allotted and issued as fully paid 49 shares to Mr. Chau and 49 shares to Mr. Chung, respectively. After the said transfer, Main Success became a wholly-owned subsidiary of MS Industrial.

On Gain

On Gain was incorporated in Hong Kong on 5 November 1991 as a limited liability company. Immediately prior to the acquisition of its shareholding interests by our Group, it was wholly owned by Grandfill Company Limited, a company incorporated in the BVI, and was principally engaged in the business of property investment. On Gain has ceased its property investment business since January 2010.

On 27 August 2012, Mr. Chau and Mr. Chung acquired the entire issued share capital in On Gain from Grandfill Company Limited in preparation for our development of our "Yo Yo Monkey (優優馬騮)" brand, after which, On Gain was owned as to 50% by each of Mr. Chau and Mr. Chung.

On 17 June 2013, On Gain established our PRC subsidiary, Anyu Baby and became an investment holding company of our Group.

As part of the Reorganisation, on 10 May 2017, CH Development acquired from Mr. Chau and Mr. Chung all of their shares in On Gain, after which, On Gain became a wholly-owned subsidiary of CH Development.

Wancheng Plastic

Wancheng Plastic was established in the PRC as a limited liability company on 20 April 2007 with a registered capital of HK$5,000,000. As at the date of establishment, Wancheng Plastic was wholly owned by Main Success.

Due to continuous expansion of our business, Wancheng Plastic has undergone the following increases in registered capital:

(i)	According to the approval of Wengyuan County Economic and Trade Bureau* (翁源縣經濟貿易局) dated 2 June 2008	The registered capital of Wancheng Plastic was increased by HK$3,000,000 from HK$5,000,000 to HK$8,000,000. The additional registered capital was solely contributed by Main Success in cash.
(ii)	According to the approval of Wengyuan County Economic and Trade Bureau* (翁源縣經濟貿易局) dated 8 October 2008	The registered capital of Wancheng Plastic was further increased by HK$4,000,000 from HK$8,000,000 to HK$12,000,000. The additional registered capital was solely contributed by Main Success in cash.
(iii)	According to the approval of Wengyuan County Economic and Information Technology Bureau* (翁源縣經濟和信息化局) dated 23 February 2012	The registered capital of Wancheng Plastic was increased by HK$3,000,000 from HK$12,000,000 to HK$15,000,000. The additional registered capital was solely contributed by Main Success with 30% in cash and 70% in the form of machineries.
(iv)	According to the approval of Wengyuan County Economic and Information Technology Bureau* (翁源縣經濟和信息化局) dated 20 June 2013	The registered capital of Wancheng Plastic was increased by HK$5,000,000 from HK$15,000,000 to HK$20,000,000. The additional registered capital was solely contributed by Main Success with approximately 86.2% in cash and approximately 13.8% in the form of machineries.
(v)	According to the approval from the relevant PRC government authority dated 23 March 2018	The registered capital of Wancheng Plastic was increased by HK$5,000,000 from HK$20,000,000 to HK$25,000,000. The additional registered capital was solely contributed by Main Success in cash.

As at the Latest Practicable Date, the business scope of Wancheng Plastic includes the establishment of research and development organisations (without separate legal entity), as well as research and development, design, production and sale of toys, toddler's products, daily plastic hardware, packaging products, coloured paper boxes, paper boxes and thermoforming products; and printing of packaging products, plastic films, coloured paper boxes, paper boxes and thermoforming products.

Anyu Baby

Anyu Baby was established in the PRC as a limited liability company on 17 June 2013 with a registered capital of RMB3,000,000. As at the date of its establishment, Anyu Baby was a wholly-owned subsidiary of On Gain. In 2017, the registered capital of Anyu Baby was increased from RMB3,000,000 to RMB9,000,000. Approval for such increase was obtained on 13 October 2017 from the relevant PRC government authority and the relevant business licence was granted to Anyu Baby on the same day. In 2018, the registered capital of Anyu Baby was increased from RMB9,000,000 to RMB15,000,000. Approval for such increase was obtained on 23 March 2018 from the relevant PRC government authority and the relevant business licence was granted to Anyu Baby on the same day. As a result of the Reorganisation, Anyu Baby became an indirect wholly-owned subsidiary of our Company. As at the Latest Practicable Date, the business scopes of Anyu Baby include design, production and sale of plastics, metal hardware, toys, baby and toddler's products, daily necessities and digital thermometer.

MS Industrial

MS Industrial was incorporated in the BVI with limited liability on 31 March 2017. As at the date of the incorporation, it was authorised to issue 50,000 shares of US$1.00 each, of which one share was respectively allotted and issued fully paid to each of Mr. Chau and Mr. Chung at par on 31 March 2017.

As a result of the Reorganisation, MS Industrial became a direct wholly-owned subsidiary of our Company. MS Industrial is an investment holding company.

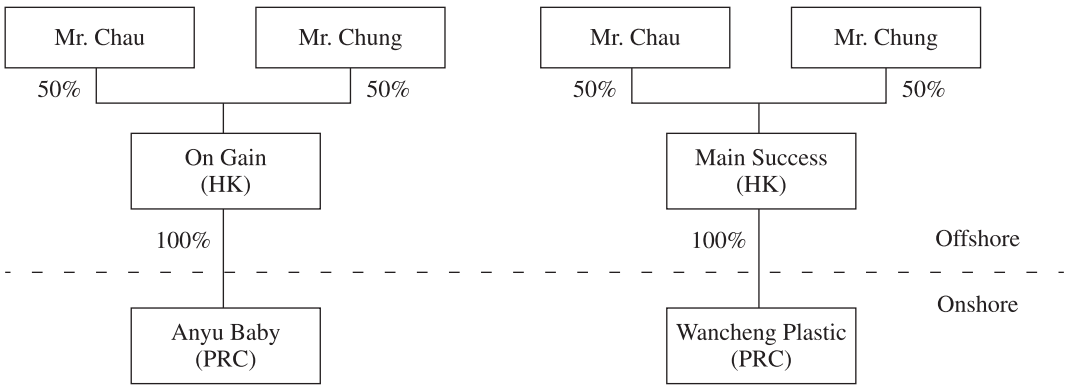
CH Development

CH Development was incorporated in the BVI with limited liability on 31 March 2017. As at the date of the incorporation, it was authorised to issue 50,000 shares of US$1.00 each, of which one share was respectively allotted and issued fully paid to each of Mr. Chau and Mr. Chung at par on 31 March 2017.

As a result of the Reorganisation, CH Development became a direct wholly-owned subsidiary of our Company. CH Development is an investment holding company.

REORGANISATION

Prior to the Reorganisation, the structure of our Group was as follows:



Corporate restructuring

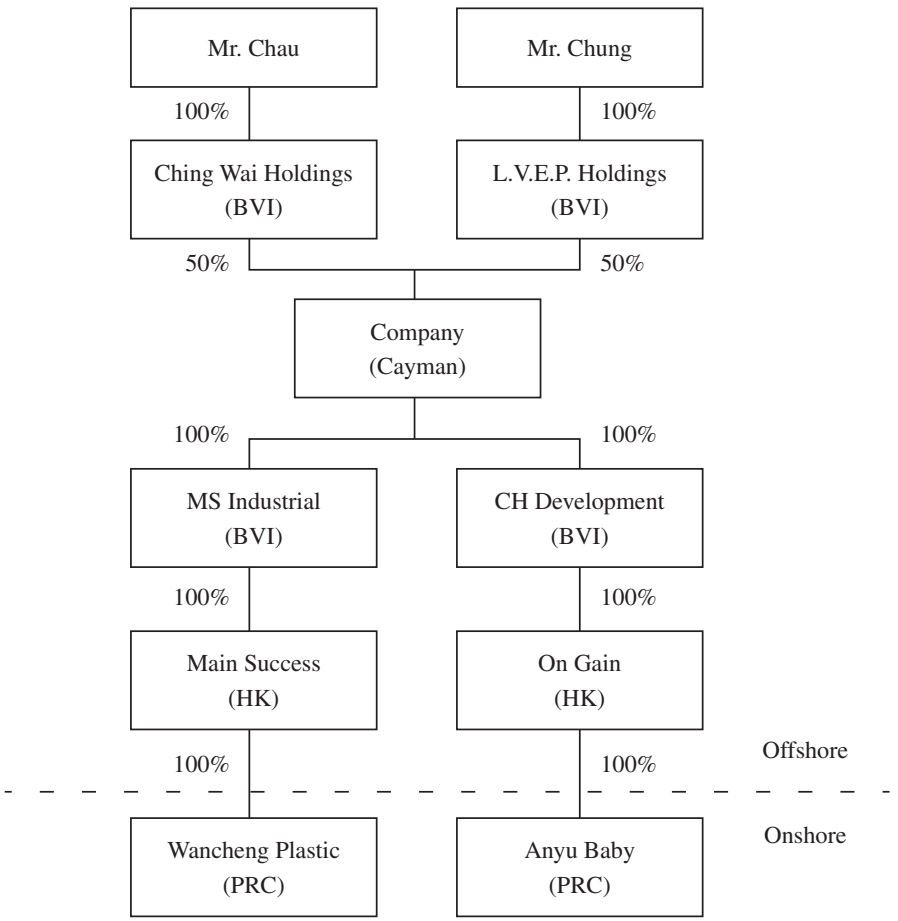
To rationalise our Group's structure in preparation for the [REDACTED], our Group underwent various corporate restructuring steps as more particularly described as follows:

(1) On 10 May 2017, Mr. Chau and Mr. Chung each transferred his entire shareholding interests in Main Success to MS Industrial. In consideration of the aforesaid transfers, MS Industrial allotted and issued 49 and 49 new shares, credited as fully paid, to Mr. Chau and Mr. Chung respectively. The said transfers have been properly and legally completed and settled. After the said transfers, Main Success became a direct wholly-owned subsidiary of MS Industrial.

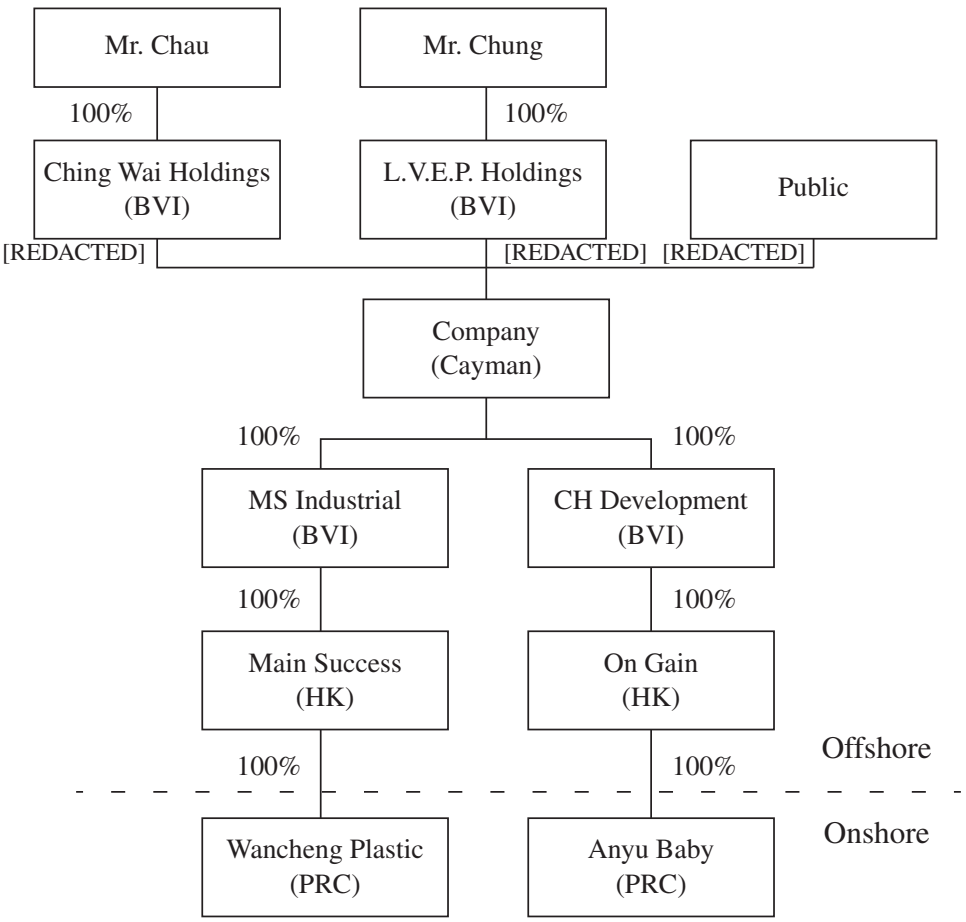
(2) On 10 May 2017, Mr. Chau and Mr. Chung each transferred his entire shareholding interests in On Gain to CH Development. In consideration of the aforesaid transfers, CH Development allotted and issued 49 and 49 new shares, credited as fully paid, to Mr. Chau and Mr. Chung respectively. The said transfers have been properly and legally completed and settled. After the said transfers, On Gain became a direct wholly owned subsidiary of CH Development.

(3) On 15 May 2018, pursuant to an agreement for the sale and purchase, our Company acquired all the issued shares of MS Industrial and CH Development from Mr. Chau and Mr. Chung. In consideration of the aforesaid acquisition and at the direction of Mr. Chau and Mr. Chung, (i) our Company allotted and issued as fully paid 50 Shares to Ching Wai Holdings and 49 Shares to L.V.E.P. Holdings and (ii) the one nil paid subscriber Share transferred by the initial subscriber of our Company to Mr. Chung was credited as fully paid. After the said transfers, each of MS Industrial and CH Development became a direct wholly-owned subsidiary of our Company. On the same date, Mr. Chung transferred his one fully paid Share in our Company to L.V.E.P. Holdings at nominal consideration of HK$0.10.

Upon completion of the Reorganisation set out above, our Company became the holding company of our Group. The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but prior to completion of the [REDACTED] and the [REDACTED]:



The following chart sets forth the shareholding structure of our Group immediately following the completion of the [REDACTED] and the [REDACTED] (but assuming that no Share is issued pursuant to the exercise of options which may be granted under the Share Option Scheme):



THE M&A RULES

On 8 August 2006, MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council* (國務院國有資產監督管理委員會), SAT, the State Administration for Industry and Commerce* (國家工商行政管理總局), the CSRC and SAFE jointly issued the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors* (as amended, re-promulgated and effective on 22 June 2009) (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"). According to the M&A Rules, merger and acquisition of the domestic companies by foreign investors means that the foreign investors purchase or subscribe for the equity or shares of a non-foreign invested PRC company or that the foreign investors establish a foreign invested PRC company to acquire and operate the assets of a non-foreign-invested PRC company by agreement. The M&A Rules require that an application be made to MOFCOM for examination and approval in relation to the acquisition of any company inside China affiliated with

a domestic company, enterprise or natural person, which is made in the name of an overseas company lawfully established or controlled by such domestic company, enterprise or natural person. The M&A Rules also provide that the overseas listing of a special purpose company controlled directly or indirectly by PRC companies or individuals on an overseas stock market must be approved by CSRC.

As advised by our PRC Legal Advisers, since (i) Wancheng Plastic and Anyu Baby are wholly-owned by Main Success and On Gain, which are Hong Kong companies, respectively since incorporation, and (ii) the Reorganisation does not involve any change in the shareholding of Wancheng Plastic and Anyu Baby, the Reorganisation and the [REDACTED] are not subject to the M&A Rules and do not require the approval of the MOFCOM and the CSRC.

SAFE REGISTRATION

Pursuant to the SAFE Circular No. 37, prior to making contribution to a special-purpose company (**"SPC**") with legitimate holdings of domestic or overseas assets or interests, a PRC resident shall apply to the relevant Foreign Exchange Bureau for foreign exchange registration of overseas investment. After an SPC has completed overseas financing, if the funds raised are repatriated to the PRC for use, relevant provisions on foreign investment and external debt management shall be complied with. As advised by our PRC Legal Advisers, since our ultimate shareholders are non-PRC residents, the SAFE Circular 37 is not applicable to our shareholders and the Reorganisation.

Our PRC Legal Advisers have further confirmed that no PRC approval, permit and licence is required in connection with the Reorganisation, and the Reorganisation has not violated any applicable PRC laws and regulations.

OVERVIEW

We produce and sell plastic bottles and baby feeding accessories. Our two business segments are:

(i) OEM Business: the production and sales of plastic bottles and cups for infants and toddlers and plastic sports bottles on an OEM basis predominately for the overseas markets, particularly the United States in terms of export value; and

(ii) Yo Yo Monkey Business: the production and sales of infant and toddler products, particularly plastic bottles and cups, under our "Yo Yo Monkey (優優馬騮)" brand principally for the PRC market.

According to the Euromonitor Report, (i) we had a market share of approximately 3.3% of the total export value of plastic bottles and baby feeding accessories from Hong Kong and the PRC to the United States in 2017; and (ii) we ranked first among the plastic bottles and baby feeding accessories OEM manufacturers in terms of export value from Hong Kong and the PRC to the United States in 2017.*Note* During the Track Record Period, our two largest OEM Business customers were (i) TOMY, a leading company in the toy industry, whose parent company is listed on the Tokyo Stock Exchange; and (ii) Customer A, a company incorporated in the United States and is primarily engaged in the sales of its sports bottle brand which is sold internationally, particularly the sales of shaker bottles through various renowned retail chains in the United States.

We are headquartered in Hong Kong and our Production Base is located in Shaoguan City, Guangdong Province, the PRC (中國廣東省韶關市). We commenced our OEM Business in 2007 and we are capable of offering our customers a range of manufacturing services including mould building, injection and blow moulding processes, physical testing, graphic design, general assembly and packaging. In general, after receiving the designs and specifications of an OEM Business product from our customers, we would discuss internally on matters relating to the manufacturing of the products. We may also put forward the results of our discussion and our suggestions for modifications for our customers' consideration. When the final design and specifications are agreed, depending on the customers' requirements, we would provide prototypes to our customers for their approval prior to our mass production.

In view of the business potentials of the infant and toddler product market in the PRC, we launched our Yo Yo Monkey Business in 2012 to target the domestic market in the PRC.

In recognition of our quality management system, we were certified for ISO9001:2008, GB/T 19001-2008 in 2010 and ISO9001:2015 in 2017 in the area of design and production of infant plastic products and have been certified for ISO9001 and GB/T 19001 since 2007. We have also obtained the facility and merchandise authorization from an internationally renowned media and entertainment enterprise, which allows us to produce the relevant brand products for TOMY.

Note: According to the Euromonitor Report, the United States is a major importer of plastic bottles and baby feeding accessories from Hong Kong and the PRC, where the export value of plastic bottles and baby feeding accessories from Hong Kong and the PRC to the United States accounted for approximately 38.8% of that to the world at large for the year ended 31 December 2017.

The following table sets out our revenue by business segments during the Track Record Period.

	For the year ended 31 December					
	2015		2016		2017	
	HK$'000	%	HK$'000	%	HK$'000	%
OEM Business	232,328	95.9	244,787	91.4	191,393	84.8
Yo Yo Monkey Business	10,016	4.1	23,108	8.6	34,357	15.2
Total revenue	242,344	100.0	267,895	100.0	225,750	100.0

For further discussion and analysis of our financial information, including the sustainability of our business, please refer to the section headed "Financial information" in this document.

COMPETITIVE STRENGTHS

We believe our competitive strengths are as follows:

We have established business relationships with internationally renowned corporations

According to the Euromonitor Report, we ranked first among the plastic bottles and baby feeding accessories OEM manufacturers in terms of export value from Hong Kong and the PRC to the United States in 2017. During the Track Record Period, our major customers were internationally renowned corporations, which included TOMY, Customer A and Customer B, and the majority of our products were delivered to the United States. Please refer to the paragraph headed "Sales — Our five largest customers" in this section for details of our major customers. As at the Latest Practicable Date, we maintained 11, seven and eight years of business relationship with TOMY, Customer A and Customer B, respectively. Our Directors believe our established business relationships with these corporations is a recognition of our ability and efforts in maintaining high quality standards and capability of meeting the quality requirements of our customers, which will in turn allow us to generate a substantial business volume.

Our established relationships with these internationally renowned corporations and our reputation in the market enable us to expand our customer base to other large and reputable corporations. For instance, we commenced sales to Customer E in 2015, which is renowned in the infant and toddler products industry, and it became our fourth largest customer in terms of revenue for the year ended 31 December 2016.

We believe our established relationships with internationally renowned corporations and focus on producing and selling of quality plastic products allow us to continue to expand our business.

We possess a broad range of production capabilities

Our broad range of production capabilities give us a competitive edge in product development and production and enable us to adapt quickly to changing market demands.

We possess comprehensive production capabilities for satisfying the needs of our customers. We are capable of offering our customers a broad range of manufacturing services encompassing mould building, injection and blow moulding processes, physical testing, graphic design, general assembly and packaging. We also provide added-value service to our OEM Business customers. In general, after receiving the designs and specifications from our customers as to the development of an OEM product, we would discuss internally on matters relating to the manufacturing of the products. We may also put forward the results of our discussion and our suggestions for modifications to the design and specification of the product for our customers' consideration. When the final design and specifications are agreed and, depending on our customers' requirements, we would provide them with prototypes for their approval prior to mass production. For details of our production, please refer to the paragraph "Production process" in this section.

We place great emphasis on the quality and safety of our products

We place great emphasis on the quality and safety of our products to safeguard our industry reputation and continuous business development. We have developed our own in-house testing laboratory which is capable of performing physical tests to ensure that our products meet the required standards. As at the Latest Practicable Date, we had 42 quality control staff. We were certified for ISO9001:2008 and GB/T 19001-2008 in 2010 and ISO9001:2015 in 2017 in the area of design and production of infant plastic products and have been certified for ISO9001 and GB/T 19001 since 2007.

To ensure the safety and quality of the products manufactured by us, we have adopted quality control measures, such as (i) raw materials supplied to us are tested to ensure their safety; (ii) our dedicated quality control staff take samples directly from the production lines for testing; and (iii) finished products are further tested at our in-house testing laboratory to ensure compliance with the requisite standards. During the Track Record Period, we did not experience any material returns on sales or recalls from our customers. For details of the relevant quality control measures and our certifications, please refer to the paragraphs headed "Quality control and assurance" and "Certifications" in this section.

We are well positioned to capture the business opportunities from the growth in the PRC infant and toddler product market and our Yo Yo Monkey Business and OEM Business could generate synergy effect with each other

Since the relaxation of the one-child policy in the PRC in 2016, there has been a rise in the demand for infant and toddler products in the PRC. The retail market for plastic bottles, cups and tableware for infants and toddlers in the PRC has been experiencing growth in the past few years. According to the Euromonitor Report, the retail sales value of plastic bottles, cups and tableware for infants and toddler in the PRC grew from approximately RMB2,338.3 million in 2013 to approximately RMB3,326.3 million in 2017, representing a CAGR of approximately 9.2%, and is expected to further grow at a CAGR of approximately 7.5% from 2017 to 2022, reaching approximately RMB4,766.3 million by 2022. In view of the business potential of the PRC market, we commenced our Yo Yo Monkey Business in 2012. The revenue of our Yo Yo Monkey Business recorded notable growth from approximately HK$10.0 million for the year ended 31 December

2015 to approximately HK$34.4 million for the year ended 31 December 2017, representing a CAGR of approximately 85.5% during the period. Our Directors believe that by leveraging on our own "Yo Yo Monkey (優優馬騮)" brand and our industry experience accumulated over the years, we are well positioned to capture the business opportunities from the expected growth in the market of plastic bottles and baby feeding accessories for infants and toddlers in the PRC.

In addition to the business potential of our Yo Yo Monkey Business, our two business segments generate synergy. On the one hand, as our Yo Yo Monkey Business has different product offerings than that of our OEM Business, it may create new business opportunities for our OEM Business whereby we could introduce such new products or product designs to our OEM Business customers. On the other hand, our experiences accumulated from our OEM Business can enhance our product design and quality assurance capabilities for our Yo Yo Monkey Business. Moreover, as our Yo Yo Monkey Business grows, we believe that it will enable us to enjoy greater economies of scale in production costs.

We have an experienced management team

We are led by an experienced management team, which possesses extensive industry knowledge and has been instrumental to our development. Mr. Chung, an executive Director and the chief executive officer of our Group, has more than 28 years of experience in the manufacturing industry, and Mr. Chau, an executive director, chairman of the Board and the founder of Main Success, has more than 20 years of experience in the manufacturing industry. Our senior management, Mr. Cheung Chor Yin (張楚然), the chief operating officer of our Group, and Mr. Ko Kam On (高錦安), the chief financial officer and company secretary of our Group, possess over 20 and 10 years of experience in the manufacturing industry and financial management and corporate and administration, respectively. For further information on the experience and credentials of our management team, please refer to the section headed "Directors and senior management" in this document.

BUSINESS STRATEGIES

With the aim of further developing our business and continuing our growth, we plan to pursue the following principal business strategies:

Expand our production capabilities and improve our competitiveness

We plan to enhance our production capabilities and efficiency through acquiring new machineries and upgrading our existing factory facilities, details of which are listed below:

Acquiring new machineries:

Our Directors consider that it is beneficial to our Group to acquire new machineries for the following reasons:

(i) Our OEM Business commenced in 2007 and our machineries were gradually acquired since then. Due to the regular introduction of newer and more advanced machinery models in the market and the aging of our machineries, we plan to acquire machineries, particularly moulding machineries, of newer models. Based on the expected useful life of 10 years, which is the duration adopted by us to calculate depreciation of machinery, the average remaining useful lives of our moulding machines and printing machines as at the Latest Practicable Date was approximately four years and three years, respectively. Our Directors believe that through the acquisition of such new machineries to replace our aged machineries, we can enhance our overall product quality and production efficiency and will be able to better attract customers and satisfy their needs.

(ii) Our production process involves different steps and robotic automation equipment can assist in the transfer of semi-finished products from one production process to another or in offloading the semi-finished products from the machinery. In this connection, we plan to acquire additional robotic automation equipment for the purposes of raising our automation level, which in turn will lower our labour costs and enhance our production efficiency and quality.

(iii) As the production of prototypes and moulds is a vital step in our production process to impress our customers and secure sales orders, we intend to acquire new injection machines, 3D printers and CNC machineries which will allow us to produce high quality prototypes and moulds. In addition, we currently mainly rely on external subcontractors for the production of moulds. Our Directors consider that the new injection machines, 3D printers and CNC machinery would allow us to provide more all-rounded services to our customers as we enhance our mould production capability in our factory.

We plan to apply approximately HK$[REDACTED] of the [REDACTED] from the [REDACTED] to carry out the above measures.

Upgrading our general facilities:

Our major customers are internationally renowned companies which set quality requirement towards the finished products as well as their suppliers. Our Directors consider that, for the purposes of enhancing our competitiveness and attracting new customers, we would be in a better market position if our general facilities could achieve higher standards. We intend to upgrade our general facilities through the acquisition of equipment and system such as, air showers and ventilation systems.

We plan to apply approximately HK$[REDACTED] of the [REDACTED] from the [REDACTED] to carry out the above measures.

Upgrading IT infrastructure:

We intend to upgrade our IT infrastructure which will enable and facilitate the integration and exchange of information among the various departments in our Group to enhance our efficiency.

We plan to apply approximately HK$[REDACTED] of the [REDACTED] from the [REDACTED] to carry out the above measures.

We plan to apply approximately HK$[REDACTED] of the [REDACTED] from the [REDACTED] to carry out the measures stated above and we believe such measures will enable us to improve our efficiency and enhance our capabilities so that we can meet the increasing demands of our customers. For further details, please refer to the section headed "Future plans and [REDACTED]" in this document.

Further develop our Yo Yo Monkey Business

Our "Yo Yo Monkey (優優馬騮)" brand products commenced sales in 2012 and our customers principally comprise retailers and distributors in the PRC. The revenue from our Yo Yo Monkey Business was approximately HK$10.0 million, HK$23.1 million and HK$34.4 million for each of the years ended 31 December 2015, 2016 and 2017, respectively, which recorded a CAGR of approximately 85.5% for the period. For the year ended 31 December 2017, our "Yo Yo Monkey (優優馬騮)" brand took up a market share of approximately 0.6% of the total plastic bottles, cups and tableware for infants and toddlers market in the PRC. We plan to further develop our "Yo Yo Monkey (優優馬騮)" brand through the following measures:

Increasing our brand awareness:	To increase the awareness of our brand among our customers, we intend to attend trade shows, participate in promotional events, create a dedicated website for our "Yo Yo Monkey (優優馬騮)" brand and engage in both online and other offline promotional activities to showcase our product line up. We plan to apply approximately HK$[REDACTED] of the [REDACTED] from the [REDACTED] to carry out the above measures.
Setting up a sales office:	As our Yo Yo Monkey Business targets customers located in the PRC, we intend to establish a sales office located in Guangzhou, the PRC to better communicate with our customers. We also intend to set up a showroom in this sales office to display our "Yo Yo Monkey (優優馬騮)" brand products to existing and potential customers. We plan to apply approximately HK$[REDACTED] of the [REDACTED] from the [REDACTED] to carry out the above measures.
Hiring additional sales staff:	We intend to hire a sales director and a head of E-Commerce to oversee the sales and marketing of our Yo Yo Monkey Business. We plan to apply approximately HK$[REDACTED] of the [REDACTED] from the [REDACTED] to carry out the above measures. Such amount is the expected total compensation including base salary and sales commission of these two staff over a two year period, being the two years ending 30 June 2020.

We believe that through the above initiatives, we can increase the awareness of our "Yo Yo Monkey (優優馬騮)" brand among customers and consumers which will in turn generate additional demand for our Yo Yo Monkey Business products. We intend to use approximately HK$[REDACTED] from the [REDACTED] of the [REDACTED] to carry out the above measures. For further details, please refer to the section headed "Future plans and [REDACTED]" in this document.

Strengthen and expand our OEM Business customer base

For each of the years ended 31 December 2015, 2016 and 2017, the revenue generated from OEM Business accounted for approximately 95.9%, 91.4% and 84.8% of our total revenue, respectively. It is expected that, after the [REDACTED], we will continue to rely on our OEM Business to generate growth for our Group and, in that regards, we intend to carry out the following measures to strengthen and expand our OEM Business customer base:

Increasing awareness of our OEM Business:	We intend to participate in tradeshows, update our website dedicated to our OEM Business and conduct other marketing activities to showcase our manufacturing capabilities. We plan to apply approximately HK$[REDACTED] of the [REDACTED] from the [REDACTED] to carry out the above measures.
Hiring additional sales staff:	We intend to hire three additional sales staff at our Hong Kong headquarters to strengthen our communication with existing and potential customers. We plan to apply approximately HK$[REDACTED] of the [REDACTED] from the [REDACTED] to carry out the above measures.

We believe that through carrying out the measures to strengthen and expand our OEM Business customer base we will be in a stronger position to develop new business relationships and diversify our customer base while reducing our reliance on our existing OEM Business customers. Further, we believe it will also allow us to grasp a better understanding on emerging market trends while at the same time keeping our customers abreast of our capabilities. We intend to use approximately HK$[REDACTED] from the [REDACTED] of the [REDACTED] to carry out the above measures. For further details, please refer to the section headed "Future plans and [REDACTED]" in this document.

Further expand our product development capabilities

We believe that, through the strengthening of our product development capabilities, we can enhance our ability to cater for the needs of our customers which in turn can enhance our competitiveness and attractiveness to existing and potential customers. For these purposes, we intend to carry out the following measures:

Engaging industrial designers:	Industrial design is a process of design applied to products that are to be manufactured through techniques of mass production. To enhance the attractiveness of our products to our customers, we intend to engage more reputable external industrial designers who have experience in the field of plastic bottles and baby feeding accessories to create industrial designs which can be readily modified by us to suit our customers' needs. We plan to apply approximately HK$[REDACTED] of the [REDACTED] from the [REDACTED] to carry out the above measures.
Hiring additional product development staff:	Our design staff are primarily responsible for the packaging and graphic designs of our "Yo Yo Monkey (優優馬騮)" brand products and our engineers are responsible for providing feedback to our customers on their designs for our OEM Business. To further improve the attractiveness of our "Yo Yo Monkey (優優馬騮)" brand products and to enable us to provide more constructive feedback to our customers on their designs for our OEM Business, we intend to strengthen our product development capabilities by hiring an additional design staff for product development. We plan to apply approximately HK$[REDACTED] of the [REDACTED] from the [REDACTED] to carry out the above measures.

We intend to improve our product development capabilities through utilising approximately HK$[REDACTED] of the [REDACTED] from the [REDACTED]. For further details, please refer to the section headed "Future plans and [REDACTED]" in this document.

For further details of the implementation plan and expected timeframe in relation to the use of our [REDACTED] from the [REDACTED], please refer to the section headed "Future plans and [REDACTED]" in this document.

OUR BUSINESS MODEL

We operate the OEM Business and the Yo Yo Monkey Business:

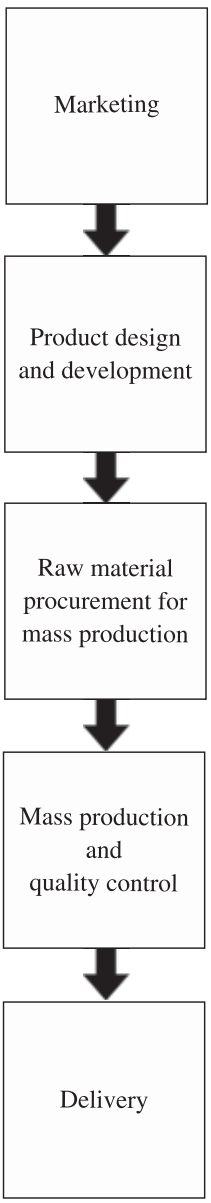
(i) OEM Business: the production and sales of the plastic bottles and cups for infants and toddlers and plastic sports bottles on an OEM basis predominately for the overseas markets particularly the United States in terms of export value; and

(ii) Yo Yo Monkey Business: the production and sales of infant and toddler products, particularly plastic bottles and cups, under our "Yo Yo Monkey (優優馬騮)" brand principally for the PRC market.

OEM Business

For our OEM Business, our business model can be summarised as follows:

OEM Business



- Ongoing communication with our existing customers about their production needs
- Product design and development are determined by our customers after discussion with our Group
- Product brands and trademarks are owned by our customers or third parties
- Raw materials are procured for mass production
- The specifications and brands of raw material to be used may be specified by our customers
- Apart from regulatory requirements, the quality standards are determined by our customers
- Our products are delivered to locations specified by our customers

For each of the years ended 31 December 2015, 2016 and 2017, revenue generated from our OEM Business amounted to approximately HK$232.3 million, HK$244.8 million and HK$191.4 million, which represented approximately 95.9%, 91.4% and 84.8% of our total revenue, respectively.

Yo Yo Monkey Business

We also operate our Yo Yo Monkey Business for the production and sale of infant and toddler products, particularly plastic bottles and cups, in the PRC. As compared with our OEM Business, our Yo Yo Monkey Business operates its own brand, namely our "Yo Yo Monkey (優優馬騮)" brand, and has greater flexibility in terms of product lines and design. Our Yo Yo Monkey Business also allows us to leverage on the manufacturing strengths of our OEM Business, including our strengths in quality control. We commenced sales of our "Yo Yo Monkey (優優馬騮)" brand products in 2012. Our "Yo Yo Monkey (優優馬騮)" brand products are mainly sold to retailers and distributors in the PRC. Our major retailer customers in the PRC include well-known retail chains of infant and toddler products. The business model of our Yo Yo Monkey Business can be summarised as follows:

Yo Yo Monkey Business

- Product design and development fully determined by our Group
- Products adopt our "Yo Yo Monkey (優優馬騮)" brand and trademark
- Apart from regulatory requirements, the quality standards are determined by our Group
- Participation in trade shows and promotional events to showcase our product line and to explore opportunities with potential customers and existing customers
- Promotion through online and offline channels
- Our products are delivered to our customers in the PRC
- Follow-up on customers enquiries and obtaining feedback from them

For each of the years ended 31 December 2015, 2016 and 2017, revenue generated from our Yo Yo Monkey Business amounted to approximately HK$10.0 million, HK$23.1 million and HK$34.4 million, which represented approximately 4.1%, 8.6% and 15.2% of our total revenue, respectively.

PRODUCTS

Our OEM Business focuses on two product categories, namely (i) plastic bottles and cups for infants and toddlers; and (ii) plastic sports bottles. Our Yo Yo Monkey Business focuses on plastic bottles and cups for infants and toddlers. The following table sets out our revenue by product categories during the Track Record Period.

	For the year ended 31 December					
	2015		2016		2017	
	HK$'000	%	HK$'000	%	HK$'000	%
OEM Business						
Plastic bottles and cups for infants and toddlers[(1)]	118,943	49.1	115,907	43.3	85,121	37.7
Plastic sports bottles	86,626	35.8	104,032	38.8	86,966	38.5
Others[(2)]	26,759	11.0	24,848	9.3	19,306	8.6
	232,328	95.9	244,787	91.4	191,393	84.8
Yo Yo Monkey Business						
Plastic bottles and cups for infants and toddlers[(1)]	7,816	3.2	18,014	6.7	20,860	9.2
Others[(3)]	2,200	0.9	5,094	1.9	13,497	6.0
	10,016	4.1	23,108	8.6	34,357	15.2
Total revenue	242,344	100.0	267,895	100.0	225,750	100.0

Notes:

(1) Plastic bottles and cups for infants and toddlers include but not limited to plastic toddler's insulated cups, semi disposable cups, plastic training cups and plastic baby feeding bottles.

(2) Others for our OEM Business mainly include other plastic products, such as plastic tableware.

(3) Others for our Yo Yo Monkey Business mainly include other infant and toddler products, such as plastic tableware and stainless steel bottles.

Plastic bottles and cups for infants and toddlers

Our plastic bottles and cups for infants and toddlers sold during the Track Record Period mainly included plastic training cups, insulated cups, semi disposable cups and feeding bottles. They are all intended to hold liquids, such as milk and water, for infants and toddlers to consume. Sample photographs of our plastic bottles and cups for infants and toddlers under our Yo Yo Monkey Business are set out below:

Feeding bottles

Training cups

Insulated cups

Semi disposable cups

Sippy cups

In general, the required machinery and the production processes for our diverse types of plastic bottles and cups for infants and toddlers are similar. For further details of our production processes, please refer to the paragraph headed "Production process" in this section.

Plastic sports bottles

Our plastic sports bottles sold during the Track Record Period were shaker bottles. Our shaker bottles generally contain an agitator which is a ball shaped wire whisk that facilitates the blending of nutritional powders into drinks. We procured the agitators from our third party suppliers during the Track Record Period.

Our plastic sports bottles are different from our plastic bottles and cups for infants and toddlers, where generally (i) our plastic sports bottles are larger in size, but our products for infants and toddlers are smaller, to cope with the hand size and volume demand of the intended user type; (ii) our products for infants and toddlers may have straws, nipples and/or handles to facilitate the infants and toddlers to consume with our products, whereas our plastic sports bottle do not have such parts; and (iii) our products for infants and toddlers do not contain agitators as in our plastic sports bottles as described in the above paragraph.

Sales volume and average unit prices

The following table sets out the sales volume and the average unit price of our main products during the Track Record Period.

	For the year ended 31 December					
	2015		2016		2017	
Key products	Sales volume	Average unit price	Sales volume	Average unit price	Sales volume	Average unit price
	thousand pieces	HK$/ piece	thousand pieces	HK$/ piece	thousand pieces	HK$/ piece
OEM Business						
Plastic bottles and cups for infants and toddlers*(Note)*	36,991	3.2	31,520	3.7	24,856	3.4
Plastic sports bottles	5,119	16.9	6,497	16.0	4,987	17.4
Yo Yo Monkey Business						
Plastic bottles and cups for infants and toddlers*(Note)*	300	26.1	747	24.1	788	26.5

Note: Plastic bottles and cups for infants and toddlers mainly include plastic toddler's insulated cups, semi disposable cups, plastic training cups and plastic baby feeding bottles.

The sales volume of plastic bottles and cups for infants and toddlers under our OEM Business was approximately 37.0 million pieces, 31.5 million pieces and 24.9 million pieces for each of the years ended 31 December 2015, 2016 and 2017, respectively. The annual decrease in sales volume for the year ended 31 December 2016 was mainly attributable to the decrease in the sales volume of semi disposable cups resulting from the decrease in demand for semi disposable cups by TOMY. The annual decrease in sales volume for the year ended 31 December 2017 was primarily attributable to the decrease in sales volume of plastic toddler's insulated cups resulting from the decrease in demand of such products by TOMY. The average selling price of plastic bottles and cups for infants and toddlers under our OEM Business was approximately HK$3.2 per piece, HK$3.7 per piece and HK$3.4 per piece for each of the years ended 31 December 2015, 2016 and 2017, respectively. The annual increase in average selling price for the year ended 31 December 2016 was mainly attributable to the aforesaid decrease in our sales of semi disposable cups, which carried lower prices and the increase in the average unit price of other products such as plastic training cups, due to change in product mix. The annual decrease in average selling price for the year ended 31 December 2017 was mainly attributable to the aforementioned decrease in our sales volume of plastic toddler's insulated cups in 2017, where the average unit price of plastic toddler's insulated cups was higher than the average unit price of our plastic bottles and cups for infants and toddlers as a whole.

The average unit prices of plastic bottles and cups for infants and toddlers under our Yo Yo Monkey Business were significantly higher than the prices of those under our OEM Business during the Track Record Period, which was mainly attributable to the difference in business models, including our roles, customers and product types, for these two businesses. For our Yo Yo Monkey Business, (i) we designed, developed and produced our products; (ii) our products carry our own brand; (iii) our products were directly sold to distributors and retailers; and (iv) we have the flexibility to focus on product types that could be marketed at a higher unit price and profit margin. On the contrary, for our OEM Business, (i) we mainly provided manufacturing services to our customers; (ii) our products were developed by our customers and do not carry our own brand; (iii) our products were sold in bulk to our customers who might then in turn deliver such products to their distributors and/or retailers for onward sales; and (iv) we generally do not have the power to only focus on product types with higher unit prices. The ability for us to market our products with our own brand at higher unit prices and profit margin is one of the reasons for which we commenced and continue to develop our Yo Yo Monkey Business.

In respect of plastic sports bottles under our OEM Business, our sales volume was approximately 5.1 million pieces, 6.5 million pieces and 5.0 million pieces and our average selling price was approximately HK$16.9 per piece, HK$16.0 per piece and HK$17.4 per piece for each of the years ended 31 December 2015, 2016 and 2017, respectively. The reason for the annual growth in sales volume of plastic sports bottles for the year ended 31 December 2016 was primarily due to our success in fostering our business relationship with Customer A over the course of time and securing more orders for the product models which we had been manufacturing for them, where the higher volume for the year ended 31 December 2016 was also attributable to a one-off promotional event of Customer A. The decrease of sales volume of plastic sports bottles for the year ended 31 December 2017 was mainly due to the higher demand of plastic sports bottles from Customer A for its one-off promotional event in 2016, which did not recur in 2017, and the transition from existing product models to new product models gradually being launched. The average selling price of plastic sports bottles increased to approximately HK$17.4 per piece for the year ended 31 December 2017 as compared with approximately HK$16.0 per piece for the year ended 31 December 2016 primarily due to higher unit price carried by new models which were gradually launched in 2017.

In respect of plastic bottles and cups for infants and toddlers under our Yo Yo Monkey Business, our sales volume was approximately 0.3 million pieces, 0.7 million pieces and 0.8 million pieces and our average selling price was approximately HK$26.1 per piece, HK$24.1 per piece and HK$26.5 per piece for each of the years ended 31 December 2015, 2016 and 2017, respectively. The sales volume of such products under our Yo Yo Monkey Business, which commenced business in 2012, increased in the year ended 31 December 2016 as we continuously put effort in the development of this business segment through, among other means, marketing activities and expanding distribution channels. Our sales volume in the year ended 31 December 2017 was comparable to that in the year ended 31 December 2016. The average selling prices of plastic bottles and cups for infants and toddlers under our Yo Yo Monkey Business were relatively stable during the Track Record Period. Our revenue from our Yo Yo Monkey Business continuously increased during the Track Record Period as a result of (i) increase sales to our retailers and

distributors; (ii) additional sales to new retailers and distributors; and (iii) increased sales through e-commerce platforms. The average selling price of plastic bottles and cups for infants and toddlers under our Yo Yo Monkey Business remained relatively stable during the Track Record Period.

For further details of the financial performances of our OEM Business and Yo Yo Monkey Business, please refer to the section headed "Financial information" in this document.

PRODUCTION FACILITIES

Our Production Base commenced production in 2007 and is located in Wengyuan County, Shaoguan City, Guangdong Province in the PRC (中國廣東省韶關市翁源縣). Our Production Base comprises of our main factory buildings, dormitory buildings, a staff canteen and an electrical and compression room and occupies an aggregate total gross floor area of approximately 37,600.3 sq.m..

Our Production Base has the following three main workshops with a variety of machineries for different stages of production:

Workshop	Function	Major machines	Country of origin of the major machines	Average age *(approximately)*
One	Moulding process	Injection moulding machines, high speed injecting moulding machines and in-mould labelling machines	PRC, Taiwan, Japan and Germany	6 years
Two	Decoration	Semi-automatic and fully automatic silk-screen printing machines	PRC	7 year
Three	Assembly and packaging	Laser code printing machines and other machines assisting in the packaging line	PRC	3 to 4 years

All of the machineries above were owned by us during the Track Record Period. We assume an expected useful life of 10 years for our machineries and use straight-line method to calculate depreciation. For further details, please refer to the paragraph headed "Property, plant and equipment" in the section headed "Financial information" in this document.

Our Production Base also houses other functions of our operation, such as in-house testing laboratory, administrative offices and warehouses.

Utilisation rate

We manufacture plastic products and we believe moulding machines for blow and injection moulding processes are the core machineries and auxiliary equipment used for the production of our products. The utilisation rates of our moulding machines during the Track Record Period are set out as follows:

	For the year ended 31 December		
	2015	2016	2017
Usage (machine work days)[(1)]	17,684	19,431	19,159
Capacity (machine work days)[(2)]	30,104	30,910	31,817
Utilisation rate (%)[(3)]	58.7%	62.9%	60.2%

Notes:

1. Usage is calculated based on the sum of the total number of moulding machines which have operated during each working day for each of the years ended 31 December 2015, 2016 and 2017, respectively. The number of working days for each of the years ended 31 December 2015, 2016 and 2017 were 284 days, 281 days and 287 days, respectively, and the remaining days for each of those years were not considered working days due to public holidays or machinery maintenance.

2. Capacity is calculated based on the sum of the total number of moulding machines on each working day for each of the years ended 31 December 2015, 2016 and 2017. The total number of moulding machines as at 31 December 2015, 2016 and 2017 were 106 units, 110 units and 111 units, respectively. The number of working days for each of the years ended 31 December 2015, 2016 and 2017 were approximately 284 days, 281 days and 287 days, respectively, and the remaining days of the periods were either holidays or for machinery maintenance.

3. Utilisation rate is calculated based on usage divided by capacity.

With reference to the above table, our utilisation rate was approximately 58.7%, 62.9% and 60.2% for each of the years ended 31 December 2015, 2016 and 2017, respectively. The increase in our utilisation rate from year ended 31 December 2015 to the year ended 31 December 2016 was mainly due to the increase in number of tableware and miscellaneous items produced in 2016 which in general involve a greater variety of production processes, thus a greater number of machineries in different functions were needed for production. The decrease in our utilisation rate for the year ended 31 December 2017 was mainly attributable to our general decrease in sales thereby reducing production demand.

The relatively low utilisation rates during the Track Record Period were mainly due to our reserve of production capacity for the following reasons:

- our OEM Business customers place short-notice orders with us from time to time and there are times when production orders are concentrated. Out of the 852 working days during the Track Record Period, our utilisation rate exceeded 70% in 161 working days. As our Group has been the key manufacturer of the product items we produced for our major OEM Business customers, the business of our customers may be materially

affected if we are not able to satisfy their production needs and our business relationships with them may be impaired as a result. In order to satisfy the production needs when the orders are short-notice or clustered, we have to allow certain level of idle capacity;

- our Directors consider it beneficial to us if we can demonstrate to our existing and potential OEM Business customers that we have sufficient and readily available capacity available to handle additional orders;

- some of our moulding machines are specialised to perform specific production tasks and would only be utilised when such specific production needs arise; and

- our production capacity is to be able to cope with the development of our Yo Yo Monkey Business, which demonstrated significant growth during the Track Record Period.

In addition, our limited number of certain type of moulding machines for specific manufacturing processes would occasionally form production bottlenecks, which also attributed to the overall lower utilisation rate of our Group during the Track Record Period.

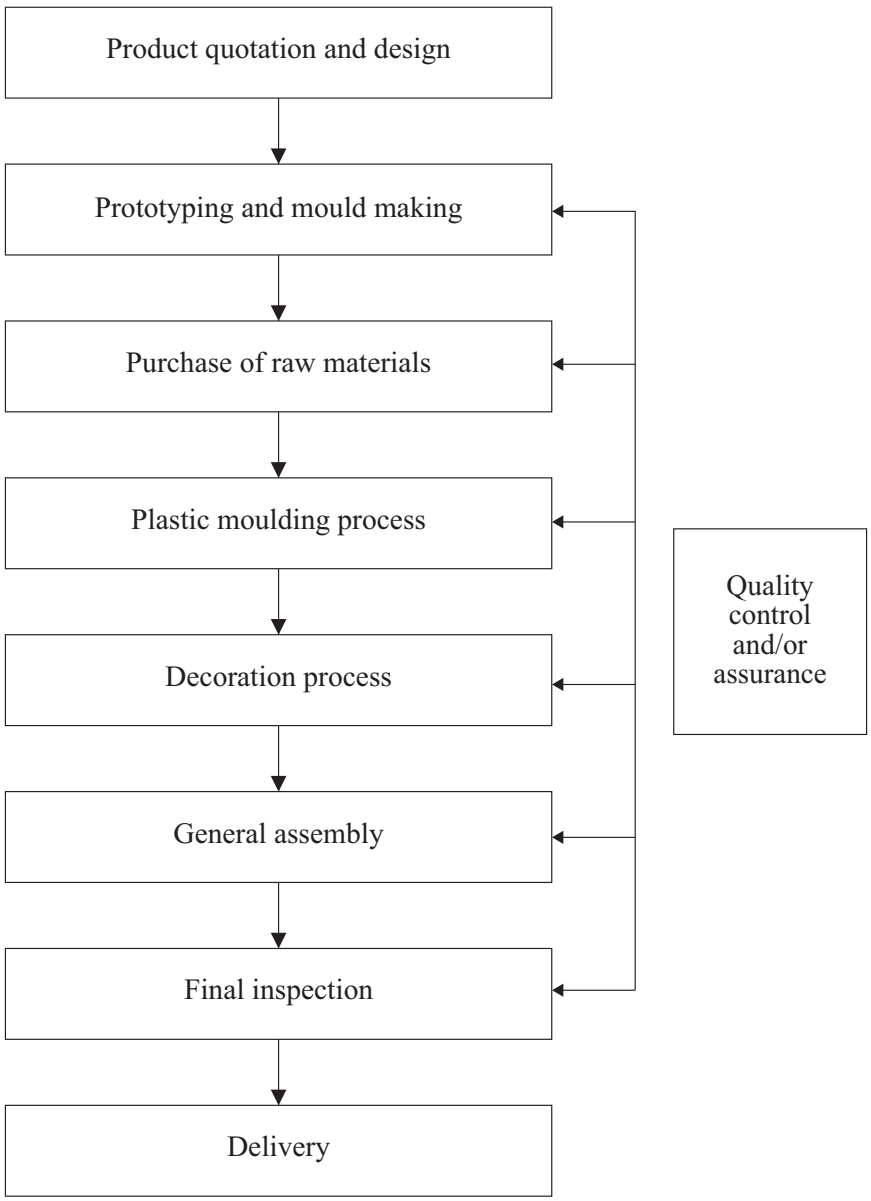
According to the Euromonitor Report, it is an industry norm for OEM companies in the plastic bottles and baby feeding accessories industry to reserve approximately 20% to 40% of total production capacity for (i) serving short-notice orders that may be placed by their customers, such that all the orders made by their customers can be satisfactorily fulfilled in time and the vital business relationships with customers would not be materially impaired, given, among other factors, the mutual reliance between OEM companies and their customers, where the OEM companies have few customers and the customers have few OEM suppliers; and (ii) the preparation for possible business expansion.

Maintenance and repair

We conduct regular inspection of our production machinery and equipment and have in place maintenance systems for our production machinery and equipment. Maintenance is carried out by our repair staff and we would engage the repair team of the manufacturer of a particular machine when necessary. We did not experience any disruption in production which materially and adversely affected our operations and financial conditions during the Track Record Period.

PRODUCTION PROCESS

The principal stages of our production process include the following:



Product quotation and design

Our customers generally provide us with their product specifications and sample drawings to obtain our preliminary quotation. Based on such specifications and drawings, we discuss internally on matters relating to the manufacturing of the products. The results of our discussion may be presented to our customers together with our suggestions for modifications to the designs and specifications for their consideration. We may also put forward suggestions as to the production method. We also devise a quality control plan.

Prototyping and mould making

We may produce prototypes of the products for evaluation. When needed, we will arrange for the outsourcing of the production of the required moulds in accordance with our customers' specifications to our subcontractors. After a mould is produced in accordance with our customers' specifications, we commence a trial production using the mould to ensure its suitability for the production of the relevant products.

Purchase of raw materials

Raw materials are generally purchased based on our sales orders with the exception of those frequently used in a wide variety of our products, such as plastic resin which we generally purchase based on expected sales and prevailing market prices. The major raw materials used by our Group in the manufacture of our products include plastic resin. The specifications and brands of raw material to be used may be specified by our customers.

Plastic moulding process

The key manufacturing process in our production is plastic moulding. Depending on the product to be manufactured, the following are our major plastic moulding processes.

Injection moulding

Injection moulding is a process which converts plastic resins into different shapes of plastic parts. In this process, the plastic resin is melted and injected into the cavity of the mould. The material is then solidified again to produce the desired shape.

Blow moulding

Blow moulding is a process by which hollow plastic parts are formed. The blow moulding process begins with melting down the plastic resin and forming it into a parison. The parison is then clamped into a mould and air is pumped into it. The air pressure then pushes the plastic out to match the mould.

In-mould labelling

In-mould labelling is a printing technique that enable products to be manufactured and decorated in one single process, a pre-printed label is placed in the mould and, during production, the label fuses with the molten plastic resin which then takes the shape of the mould.

Decoration process

Plastic parts which have been moulded into the required shapes will then go through the decoration process whereby the graphic patterns required by our customers are added on.

Silk-screen printing

Silk-screen printing is a printing technique in which colour paint is applied on a specified area of the plastic parts using a framed screen.

Heat transfer printing

Heat transfer printing is a technique whereby graphic patterns which have been pre-printed onto a special release paper is placed against the plastic part which is then subject to high temperature and pressure for a short period of time. Afterwards, the special release paper is peeled away and the graphic patterns will have been transferred onto the plastic part.

Tampo printing

Tampo printing is a printing technique which involves transferring an image from a silicone pad to the object on which the image is to be printed. To transfer the image, the silicone pad is pressed onto an inked plate etched in the shape of the desired image and is then pressed onto the actual object. Tampo printing is generally used to print images onto irregular surfaces, such as concave and convex surfaces.

General assembly

After the plastic parts have been moulded into shape and decorated, the parts will be assembled and finalised along our assembly line. Those products will further be packaged according to our customers' requirements.

Quality control and assurance

For raw materials such as plastic resins, we obtain reports from external laboratories in respect of chemical tests conducted on samples of the raw materials to ensure that the raw materials are in compliance with our customer's standards as well as relevant safety regulations.

For semi-finished products we arrange our quality control staff to take samples directly from the production lines for physical testing. Samples of finished products are further tested by our quality control staff.

Final inspection and delivery

Our quality control staff would conduct a final inspection on our products to ensure the finished products meet our quality control requirement. After such final inspection is completed, we would arrange delivery as per customers' specific requests. In general, the typical lead time between us receiving a purchase order and delivery is approximately 45 to 60 days.

Industry standard

In the PRC, we are subject to the Product Quality Law, which sets out the mandatory industry requirements, as further described in the section headed "Regulatory overview" in this document. For our OEM Business products, we are required to satisfy FDA regulations, ASTM standards and European standards. These requirements are typically reflected in the purchase orders we receive from our customers. Pursuant to the terms of the master agreements entered into with our major OEM Business customers, we are typically obliged to manufacture products in accordance with the specifications, laws, regulations or standards applicable to our products. Where such OEM Business customers are held liable or suffer losses as a result of us failing to fulfill the requirements of the master agreements and/or purchase orders, we may be required to indemnify the relevant customers against their liabilities and losses. Our Directors confirm that we complied with the relevant mandatory industry standards during the Track Record Period.

Subcontracting

We principally engage subcontractors for the production of moulds, so as to maintain efficiency and reduce overall operating costs.

For each of the years ended 31 December 2015, 2016 and 2017, our subcontracting fees were approximately HK$4.2 million, HK$3.2 million and HK$1.9 million, respectively.

Before we place subcontracting orders, we generally obtain a number of quotations from the subcontractors and select the most suitable one. When deciding on which subcontractor to engage, we carefully evaluate their credentials by taking into account factors such as their technical capabilities, timely delivery, services offered, prices and product quality. The typical terms of our subcontracting arrangements include specifications of the mould, the number of units required, the delivery date, the subcontracting fee, payment terms and delivery details. Our Group inspects the moulds provided by the subcontractors to ensure that they meet the required quality standards.

We have established a stable working relationship with our subcontractors. During each of the years ended 31 December 2015, 2016 and 2017, we have engaged six, five and four subcontractors, respectively. As at the Latest Practicable Date, our relationship with these subcontractors ranged from three to eight years. The subcontractors are typically located in Guangdong province of the PRC.

None of our Directors, their respective associated or shareholders holding more than 5% of the issued share capital of our Company had any interest in any of those subcontractors during the Track Record Period up to and including the Latest Practicable Date.

RAW MATERIALS AND SUPPLIERS

Raw materials

We use a variety of raw materials in our production process. The principal raw material used in our production processes are plastic resin, packaging materials and accessories, such as the agitators used in our shaker bottles. Our total purchase of raw materials for each of the years ended 31 December 2015, 2016 and 2017 amounted to approximately HK$94.1 million, HK$109.2 million and HK$109.7 million, respectively.

During the Track Record Period, our raw materials were purchased from a variety of suppliers located in Hong Kong and the PRC. The raw materials are manufactured from regions such as the US, the PRC, Taiwan and South Korea.

To ensure a stable supply of raw materials, we adopt a general policy of purchasing raw materials from multiple sources wherever practicable after taking into account factors including price and quality. We do not enter into any long-term contracts with our suppliers. We purchase raw materials from our suppliers through purchase orders, which generally set forth the types of raw materials to be purchased, the specifications, the price and credit term. Our purchases of raw materials were generally settled on an open account basis and generally had a credit term of 30 days.

We provide price quotations of our products to our customers which are generally valid for one year and made with references to the then prevailing market prices of the raw materials. In case of any substantial increase in the market price of raw materials, we will attempt to renegotiate with our customers on the agreed prices. In general, we assume the risk of any substantial increase in the market prices of raw materials after we have accepted the orders from our customers to the extent we are unable to negotiate successfully to pass on such increases to our customers.

We do not have any hedging policies against any risks of fluctuation in the raw material costs, but we closely monitor the market prices of the raw materials.

During the Track Record Period, we did not experience any material shortage or delay in the supply of raw materials.

Suppliers

Our business relationships with our five largest suppliers during the Track Record Period ranged from two to nine years. For each of the years ended 31 December 2015, 2016 and 2017, purchases from our five largest suppliers accounted for approximately 65.3%, 58.8% and 44.5% of our total purchases.

We purchased the majority of our packaging materials from Tat Fung Industrial, a connected person, during the Track Record Period. Purchases from Tat Fung Industrial amounted to approximately HK$28.8 million, HK$26.5 million and HK$17.5 million respectively, representing approximately 30.6%, 24.3% and 16.0% of our total purchases for each of the year ended 31

December 2015, 2016 and 2017, respectively. Our Directors consider that our trading terms with Tat Fung Industrial have no material difference as compared to those with our other major suppliers, where (i) we do not enter into any long-term contracts with either Tat Fung Industrial or our other major suppliers; (ii) we purchase from Tat Fung Industrial and our other major suppliers through purchase orders, which generally set forth the types and specifications of raw materials to be purchased, quantity and price; and (iii) Tat Fung Industrial and the majority of our other major suppliers have credit period of 30 days. Despite our purchases of packaging materials from Tat Fung Industrial during the Track Record Period, our Directors consider that our business operations do not unduly rely on Tat Fung Industrial for the supply of packaging materials to us as such materials could readily be sourced from independent suppliers in the market. For further details regarding our transactions with Tat Fung Industrial, please refer to the section headed "Connected transactions" in this document.

Save for the interest held by Ms. Cheung, being the spouse of Mr. Chau, in Tat Fung Industrial, none of our Directors, their respective associates or shareholders holding more than 5% of the issued share capital of our Company had any interest in our five largest suppliers during the Track Record Period up to and including the Latest Practicable Date.

The following table sets out our five largest suppliers during the Track Record Period and our total purchases from them during the same period:

	For the year ended 31 December 2015					
Supplier	**Business nature**	**Principal type of supplies procured**	**Approximate year(s) of business relationship as at the Latest Practicable Date**	**Typical credit terms and payment method**	**Transaction amount**	**% of total purchases of our Group**
					HK$'000	
Tat Fung Industrial *(note 1)*	Printing and packaging and plastic products	Packaging material	9	30 days by bank cheque	28,839	30.6%
Supplier A *(note 2)*	Distributes plastic resin	Plastic resin	8	30 days by bank transfer	10,348	11.0%
Supplier B *(note 3)*	Distribution and agency of plastic resin	Plastic resin	9	30 days by bank transfer	8,381	8.9%
Supplier C *(note 4)*	Supplying plastic resin	Plastic resin	9	30 days by bank transfer	7,251	7.7%
Supplier D *(note 5)*	Sales of metal products and metal accessories	Agitators for shaker bottles	3	30 days by bank transfer	6,684	7.1%

	For the year ended 31 December 2016					
Supplier	**Business nature**	**Principal type of supplies procured**	**Approximate year(s) of business relationship as at the Latest Practicable Date**	**Typical credit terms and payment method**	**Transaction amount**	**% of total purchases of our Group**
					HK$'000	
Tat Fung Industrial *(note 1)*	Printing and packaging and plastic products	Packaging material	9	30 days by bank cheque	26,473	24.3%
Supplier C *(note 4)*	Supplying plastic resin	Plastic resin	9	30 days by bank transfer	12,691	11.6%
Supplier D *(note 5)*	Sales of metal products and metal accessories	Agitators for shaker bottles	3	30 days by bank transfer	9,517	8.7%
Supplier B *(note 3)*	Distribution and agency of plastic resin	Plastic resin	9	30 days by bank transfer	8,771	8.0%
Supplier E *(note 6)*	Sales of plastic resin	Plastic resin	3	30 days by bank transfer	6,677	6.1%

	For the year ended 31 December 2017					
Supplier	**Business nature**	**Principal type of supplies procured**	**Approximate year(s) of business relationship as at the Latest Practicable Date**	**Typical credit terms and payment method**	**Transaction amount**	**% of total purchases of our Group**
					HK$'000	
Tat Fung Industrial *(note 1)*	Printing and packaging and plastic products	Packaging material	9	30 days by bank cheque	17,512	16.0
Supplier F *(note 7)*	Supplying of plastic resin	Plastic resin	2	30 days by bank transfers	9,223	8.4
Supplier C *(note 4)*	Supplying plastic resin	Plastic resin	9	30 days by bank transfer	8,108	7.4
Supplier G *(note 8)*	Processing, production and sales of plastic; rubber and metal products	Plastic accessories and parts	4	Payment upon delivery by bank transfer	7,394	6.7
Supplier B *(note 3)*	Distribution and agency of plastic resin	Plastic resin	9	30 days by bank transfer	6,539	6.0

Note 1: Established in 2003, Tat Fung Industrial is a partnership established in Hong Kong, is owned by Ms. Cheung and her brother Mr. Zhang Liaodong (張遼東) and is a connected person of our Company.

Note 2: Established in 1983, Supplier A is a limited company incorporated in Hong Kong with share capital of HK$1,000,000.

Note 3: Established in 1982, Supplier B is a limited company incorporated in Hong Kong with share capital of HK$20,000,000.

Note 4: Established in 2005, Supplier C is a limited company incorporated in Hong Kong with share capital of HK$8,000,000.

Note 5: Established in 1998, Supplier D is a limited company incorporated in Hong Kong with share capital of HK$10,000.

Note 6: Established in 2012, Supplier E is a limited company incorporated in Hong Kong with share capital of HK$10,000.

Note 7: Established in 1995, Supplier F is a limited company incorporated in Hong Kong with share capital of HK$400,000.

Note 8: Established in 2014, Supplier G is a limited company incorporated in the PRC with share registered capital of RMB3,010,000.

Utilities

Our operation requires a substantial and continuous supply of electricity, therefore, the availability and cost of electricity are key considerations in our operation. Our utility expenses amounted to approximately HK$6.9 million, HK$6.2 million and HK$5.2 million for each of the years ended 31 December 2015, 2016 and 2017, respectively. Since the availability of electricity is vital to our operation, we have installed backup power generators at our Production Base in case of any shortage or interruption in the supply of electricity. Our Directors confirm that our Group did not experience any material disruption in respect of utilities supply during the Track Record Period.

QUALITY CONTROL AND ASSURANCE

Our Directors believe that delivering quality products is one of our competitive advantages, we therefore strive to implement quality control policies and procedures designed to produce consistent products capable of meeting the expectations of our customers.

In addition to engaging external laboratories to conduct chemical tests, we have our own in-house testing laboratory to perform various physical tests, such as drop tests, bite tests, dishwasher tests, sterilisation tests, paint adhesiveness tests and aging tests, to ensure the quality of our products. As at the Latest Practicable Date, we had 42 quality control staff in our quality control department.

Quality assurance in incoming raw materials

We instruct external laboratories to run chemical tests on the raw materials to ensure their safety and quality.

Quality control in pre-production

We devise quality control plans for specific products. The quality control plan set out measures to test and inspect the products, such as the number of samples to be taken during the production process.

Quality control and quality assurance in the production process and quality assurance in the finished products

Our quality control staff records and takes samples directly from the production line for physical testing to ensure products produced are meeting specified requirements. Samples of finished products are taken to our in-house testing laboratory for further physical testing.

Quality certifications and recognition

As a result of our quality and safety control measures, we were certified for ISO9001:2008 and GB/T 19001-2008 in 2010 and ISO9001:2015 in 2017 in the area of design and production of infant plastic products and have been certified for ISO9001 and GB/T 19001 since 2007.

We have also obtained the facility and merchandise authorization from an internationally renowned media and entertainment enterprise, which allows us to produce the relevant brand products for TOMY.

SALES

For our OEM Business, our products were predominately sold to internationally renowned customers and our products were delivered to the overseas markets, including the United States and other regions, during the Track Record Period. The major customers of our OEM Business include TOMY, Customer A and Customer B.

For our Yo Yo Monkey Business, our products were principally sold to our distributors and retailer customers in the PRC.

Our five largest customers

For each of the years ended 31 December 2015, 2016 and 2017, revenue from our five largest customers amounted to approximately HK$218.3 million, HK$237.7 million and HK$175.4 million, representing approximately 90.1%, 88.7% and 77.6% of our total revenue, respectively.

Set out below is a breakdown of our sales to our five largest customers during the Track Record Period:

	For the year ended 31 December 2015					
Customer	**Business nature/scope**	**Principal type of products sold**	**Approximate year(s) of business relationship as at the Latest Practicable Date**	**Typical credit terms and payment method**	**Transaction amount**	**% of total revenue of our Group**
					HK$'000	
TOMY *(note 1)*	Sales of infant and toddler products	Plastic bottles and cups for infants and toddlers	11	Monthly by bank cheque	100,807	41.6%
Customer A *(note 2)*	Sales of sports bottles and accessories	Shaker bottles and nutrition powder containers	7	30 days by bank transfer	95,501	39.4%
Customer B *(note 3)*	Sales of healthcare, medical, and electrical appliances	Plastic bottles and cups for infants and toddlers	8	90 days after month-end by bank transfer	15,106	6.2%
Customer C *(note 4)*	Sales of baby products	Plastic tablewares	8	30 days by bank transfer	4,185	1.7%
Customer D *(note 5)*	Sales of maternal child products	Plastic tablewares	5	Payment before shipment by bank transfer	2,730	1.1%

	For the year ended 31 December 2016					
Customer	**Business nature/scope**	**Principal type of products sold**	**Approximate year(s) of business relationship as at the Latest Practicable Date**	**Typical credit terms and payment method**	**Transaction amount**	**% of total revenue of our Group**
					HK$'000	
Customer A *(note 2)*	Sales of sports bottles and accessories	Shaker bottles and nutrition powder containers	7	30 days by bank transfer	118,308	44.2%
TOMY *(note 1)*	Sales of infant and toddler products	Plastic bottles and cups for infants and toddlers	11	Monthly by bank cheque	91,621	34.2%
Customer B *(note 3)*	Sales of healthcare, medical, and electrical appliances	Plastic bottles and cups for infants and toddlers	8	90 days after month-end by bank transfer	15,886	5.9%
Customer E *(note 6)*	Sales of mother and baby products	Plastic bottles and cups for infants and toddlers	3	60 days by bank transfer	7,411	2.8%
Customer F *(note 7)*	Retail chains of infants and toddlers products	Infant and toddler products under our "Yo Yo Monkey (優優馬騮)" brand	3	30 days by bank transfer	4,466	1.7%

	For the year ended 31 December 2017					
Customer	Business nature/scope	Principal type of products sold	Approximate year(s) of business relationship as at the Latest Practicable Date	Typical credit terms and payment method	Transaction amount	% of total revenue of our Group
					HK$'000	
Customer A *(note 2)*	Sales of sports bottles and accessories	Shaker bottles and nutrition powder containers	7	30 days by bank transfer	89,282	39.5
TOMY *(note 1)*	Sales of infant and toddler products	Plastic bottles and cups for infants and toddlers	11	Monthly by bank cheque	65,977	29.2
Customer B *(note 3)*	Sales of healthcare, medical, and electrical appliances	Plastic bottles and cups for infants and toddlers	8	90 days after month-end by bank transfer	8,090	3.6
Customer E *(note 6)*	Sales of mother and baby products	Plastic bottles and cups for infants and toddlers	3	60 days by bank transfer	7,234	3.2
Customer G *(note 8)*	Retail chains of infants and toddlers products	Infant and toddler products under our "Yo Yo Monkey (優優馬騮)" brand	1	45 days by bank transfer	4,789	2.1

Note 1: Our relationship began in 2007 with Racing Champions International Limited, a subsidiary of RC2 Corporation, which was listed on the NASDAQ Global Select Market, and was subsequently acquired by Tomy Company, Ltd in 2011. Tomy Company, Ltd, the parent company of TOMY, is listed on the Tokyo Stock Exchange. TOMY was established in 1995 and is a limited company incorporated in Hong Kong.

Note 2: Established in 2000, Customer A is a limited company incorporated in the US and is primarily engaged in the sales of its sports bottle brand which is sold internationally, particularly the sales of shaker bottles through various renowned retail chains in the US.

Note 3: Established in 1989, Customer B is a private company incorporated in the Netherlands and is a subsidiary of a company listed on the New York Stock Exchange and the Amsterdam Stock Exchange, Euronext Amsterdam.

Note 4: Established in 1991, Customer C is a business corporation incorporated in the US.

Note 5: Established in 2007, Customer D is a limited company incorporated in the PRC with a registered capital of RMB32,000,000.

Note 6: Customer E is a foreign limited company registered in the US in 2010 and the subsidiary of a company listed on the New York Stock Exchange.

Note 7: Established in 2005, Customer F is a limited company incorporated in the PRC with a registered capital of RMB61,935,800.

Note 8: Established in 2004, Customer G is a limited company incorporated in the PRC with a registered capital of RMB6,650,000 and is an indirectly non-wholly owned subsidiary of a company listed on the Stock Exchange.

None of our Directors, their respective associates or shareholders holding more than 5% of the issued share capital of our Company had any interest in our five largest customers during the Track Record Period up to and including the Latest Practicable Date.

As at the Latest Practicable Date, apart from Customer C, Customer D and Customer F, we have maintained business relationship with each of our five largest customers during the Track Record Period. We had not recorded any revenue from Customer C and Customer D since year 2017 mainly because we could not agree on the pricing terms for their products. Customer C and Customer D were our OEM Business customers and they collectively contributed approximately 2.9%, less than 0.1% and nil for each of the years ended 31 December 2015, 2016 and 2017 of our total revenue, respectively. As at the Latest Practicable Date, we had discontinued business relationship with Customer F because we had received a notice jointly issued by Customer F and Customer G which stated that, from 2017, procurement orders would be placed by Customer G rather than Customer F.

Customer F and Customer G are not regarded as a single customer after having considered that (i) Customer F and Customer G are separate legal entities with limited liabilities individually; (ii) we had separately entered into individual master purchase agreements at different times with each of Customer F and Customer G; (iii) Customer F and Customer G place separate purchase orders and separately settle their invoices with us; and (iv) their difference in shareholding structure, as the company that indirectly wholly owns Customer G (the "**HoldCo**") is controlled by a company listed in Hong Kong (the "**ListedCo**") which indirectly owns 55% of the share capital of the HoldCo and, to our best knowledge, based on limited public information and company searches, does not possess any interest in Customer F. Based on limited public information and company searches, the shareholders of Customer F comprise individuals (four of which also possesses interests in the corporate shareholders of the HoldCo) and companies (in which the ListedCo does not possess any interest).

Historical concentration in revenue derived from major customers

For each of the years ended 31 December 2015, 2016 and 2017, the aggregate revenue derived from our two largest customers, namely TOMY and Customer A, accounted for approximately 81.0%, 78.4% and 68.8% of our total revenue, respectively.

Customer A had confirmed in a letter dated 23 February 2018 that:

(i) for each product item (in terms of stock keeping unit) in which it engaged our Group as manufacturer, our Group was/is the key manufacturer of such product items;

(ii) for each of the years ended 31 December 2015, 2016 and 2017, our Group was/is one of their top three suppliers in relation to our plastic sports bottles products (including the suppliers of the subsidiaries and parent companies of Customer A) in terms of dollar amount; and

(iii) the business relationship with our Group has been stable over the years and it intends to continue such business relationship with our Group going forward.

TOMY had confirmed in a letter dated 26 February 2018 that:

(i) for each product item (in terms of stock keeping unit) in which it engaged our Group as manufacturer, our Group was/is the key manufacturer of such product items;

(ii) for each of the years ended 31 December 2015, 2016 and 2017, our Group was/is one of their top three suppliers among all of their suppliers in relation to our plastic bottles and cups products for infants and toddlers (including the suppliers of the subsidiaries and parent companies of TOMY) under the infants and toddlers product segment, known as plastic cups, bottles and tableware, in terms of dollar amount; and

(iii) the business relationship with our Group has been stable over the years and it intends to continue the business relationship with our Group going forward.

According to the Euromonitor Report, for the plastic bottles and baby feeding accessories industry, the OEM manufacturers and their customers generally develop a high degree of mutual reliance, where:

(i) OEM manufacturers, especially leading manufacturers, tend to maintain a limited number of customers and generate the majority of revenue from around two to four major customers because, among other factors, (a) the resources of the OEM manufacturers can be more focused and more tailored; (b) the frequent recalibration of equipment and machinery for a vast variety of products from a large number of customers is costly and hinders production efficiency; and (c) main customers of leading OEM manufacturers prefer their suppliers to serve a limited number of customers to avoid trade secrets being leaked to their competitors; and

(ii) the brand owners of the plastic bottles and baby feeding accessories tend to maintain a limited number of OEM manufacturers as suppliers procure the majority of products from less than five major suppliers because, among other factors, (a) consistent product specification and quality are vital for the retail market, where slight variations of product specification and quality for any product unit might not be regarded as genuine products of the brand and might seriously damage brand reputation; and (b) the cost to manage a vast number of suppliers is high.

Having considered the above, our Directors consider that although we did not have long term purchase commitments with TOMY and Customer A and our business volume with them is not guaranteed, our business with these customers is sustainable.

Ongoing dilution in concentration in revenue derived from major customers

Our concentration in revenue derived from major customers has been diluting since 2015 and is expected to continue to dilute, in light of:

(i) our efforts in developing businesses with existing and potential customers for our OEM Business. Based upon our established industry reputation arising from our business relationship with internationally renowned corporations, we have been able to procure new customers for our OEM Business. For instance, we commenced sales to Customer E, which is a company incorporated in the US and is a renowned corporation in the infant and toddler products industry in 2015 and Customer E became our fourth largest customer in terms of revenue amount for each of the years ended 31 December 2016 and 2017. Following the [REDACTED], we will exert even greater effort in developing businesses with existing and potential customers for our OEM Business with our [REDACTED] from the [REDACTED]; and

(ii) our efforts in developing the Yo Yo Monkey Business. Revenue from our Yo Yo Monkey Business amounted to approximately HK$10.0 million, HK$23.1 million and HK$34.4 million, which accounted for approximately 4.1%, 8.6% and 15.2% of our total revenue for each of the years ended 31 December 2015, 2016 and 2017, respectively. Based on our efforts, we have established business relationships with well-known retail chains of infants and toddlers products in the PRC.

We consider we are capable of maintaining our revenue in the future in light of our current customer concentration after taking into account the aforementioned factors, in particular, (i) we believe that our businesses with TOMY and Customer A are sustainable in view of their confirmation letters, our length of relationship established with them, and our production capabilities; (ii) each of TOMY and Customer A individually accounted for no more than half of our total revenue for each of the years ended 31 December 2015, 2016 and 2017; (iii) the possible expansion of our business scale with our existing OEM Business customer; (iv) the possible development of new customers for our OEM Business; and (v) the possible continuous expansion of the scale of our Yo Yo Monkey Business.

Major customers who were also our suppliers

According to the Euromonitor Report, in respect of the plastic bottles and baby feeding accessories industry, it is not uncommon for OEM companies to purchase items such as raw materials, moulds and tools and accessories from their OEM customers for, among other things, OEM companies to manufacture products up to the required specific standards set by such customers. During the Track Record Period, among our five largest customers, TOMY and Customer E also acted as our suppliers and our purchases from them are illustrated in the following table:

	For the year ended 31 December					
	2015		2016		2017	
	HK$'000	*% of total revenue/ purchase*	HK$'000	*% of total revenue/ purchase*	HK$'000	*% of total revenue/ purchase*
TOMY						
Revenue	100,807	*41.6%*	91,621	*34.2%*	65,977	*29.2%*
Purchase	268	*0.3%*	470	*0.4%*	368	*0.3%*
Purchase as a % of revenue	0.3%		0.5%		0.6%	
Customer E						
Revenue	1,533	*0.6%*	7,411	*2.8%*	7,234	*3.2%*
Purchase	67	*0.1%*	—	—	—	—
Purchase as a % of revenue	4.4%		—		—	

Our purchases from TOMY and Customer E during the Track Record Period were, primarily, specific product parts, including nipples of milk bottles and milk bag, which were assembled with our manufactured parts to produce their products. The amounts of the aforesaid purchase from TOMY and Customer E were not material to our revenue generated from them during the Track Record Period.

Master agreements with customers of our OEM Business

We do not have long-term purchase commitments from our customers and our sales are made on the basis of individual purchase orders. We have however entered into master agreements with some of our major customers who are also our OEM Business customers. These master agreements set out the basic terms and conditions for the transactions which are to be adopted when making individual purchaser orders. The term of these master agreements range from one to three years. The salient terms commonly contained in such master agreements are as follows:

No purchase commitments	:	no binding purchase commitments are made in the master agreement. All purchases and services are initiated by the issuance of written purchase orders, subject to the terms and conditions of the relevant master agreement;
Production	:	we will manufacture the products in accordance with the customer's specifications and in accordance with the terms and conditions of the master agreement. The products we produce for them are subject to inspection;
Confidentiality	:	we will keep confidential any information including the manufacture of the products;
Renewal	:	the master agreements will be automatically renewed unless either we or the customer provides notice to terminate; and
Termination	:	the customer will have the right to terminate the agreement if we breach the agreement.

Pricing

In respect of our OEM Business, we primarily adopt a cost-plus pricing policy, while in respect of our Yo Yo Monkey Business, when we price our products, we usually take into account the costs of our products, the general price of comparable products in the market and the sales capability of our customers.

For each of the years ended 31 December 2015, 2016 and 2017, the gross profit margin of our OEM Business was approximately 39.8%, 32.0% and 34.3% and that of our Yo Yo Monkey Business was approximately 44.8%, 40.5% and 41.1%, respectively.

Credit policy

For our OEM Business customers, we normally give a credit term ranging from 30 to 90 days for payment of our invoice and, for our Yo Yo Monkey Business customers, we normally give a credit term ranging from 30 to 90 days for payment of our invoice. The exact term of the credit period for both our OEM Business and our Yo Yo Monkey Business customers depends on a number of criteria such as the past payment record and financial strength of the relevant customer.

We review our overdue balances and our receivable balances on an ongoing basis and an assessment as to whether or not a provision for impairment of trade receivables should be made will be approved by our management. During the Track Record Period, we did not make any provisions in relation to our trade receivables and we did not experience any cancellation of orders or any bankruptcy or default on the part of any of our customers.

Product delivery

Our OEM Business products are mainly sold to our customers on an FOB or FCA basis. Under FOB, we are responsible for the delivery of our products on board the vessel at the port in Hong Kong or the PRC designated by the customer. Under FCA, we deliver our products to the carrier or another person nominated by the customers at our Production Base.

For our Yo Yo Monkey Business, we are responsible for arranging the delivery of our finished products. The risks are passed to the customers when they acknowledge the receipt of our products.

Warranty as to quality and product returns

We did not experience any material returns on sales or recalls from our customers during the Track Record Period.

We test and inspect our products extensively prior to delivery to our customers to minimise after-sale quality issues. The terms of our warranties vary from customer to customer depending on the particular agreement with our customer. The terms of our master agreements with our major OEM Business customers generally contain warranties as to product quality and permit our customers to inspect and reject products which do not conform with the required standard. Products which are rejected may be returned at our cost or refunded.

For our Yo Yo Monkey Business, in case of any material quality defects relating to products provided to our distributors and/or retailers, our policy is to return the product and we will bear the costs in relation to the return.

Marketing and promotion

In order to strengthen the relationship with our existing customers, our sales and marketing personnel will keep in touch with them from time to time to keep abreast of the latest trends in the market and to explore further business opportunities with them.

We engage in different marketing and promotional activities for our OEM Business and Yo Yo Monkey Business. For our OEM Business, we invite existing and potential customers to our Production Base to showcase our production capabilities. For our Yo Yo Monkey Business, we participate in promotional events to promote our "Yo Yo Monkey (優優馬騮)" brand. We also promote our "Yo Yo Monkey (優優馬騮)" brand online through e-commerce channels.

For each of the years ended 31 December 2015, 2016 and 2017, our marketing and promotion expenses were approximately HK$5.3 million, HK$4.0 million and HK$4.9 million, respectively.

Seasonality

Our sales volume is generally not affected by seasonality and is fairly balanced throughout the year as our products are mostly daily use items, although certain products may be influenced by holidays, changes in seasons and/or other reasons. We do not believe that seasonality has any material effect on our financial results as a whole.

Sales channels for our Yo Yo Monkey Business

Our "Yo Yo Monkey (優優馬騮)" brand products are principally sold in the PRC primarily through local retailers and distributors. We understand from Euromonitor that, for the plastic bottles and baby feeding accessories industry in the PRC, (i) it is common to sell products through retailers and distributors; and (ii) certain retailers may adopt consignment arrangements.

Below is a table setting out the revenue by sales channels for our Yo Yo Monkey Business during the Track Record Period:

	For the year ended 31 December					
Sales channels	**2015**		**2016**		**2017**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Retailers	3,067	30.6	11,217	48.5	17,340	50.5
Distributors	6,107	61.0	11,173	48.4	12,942	37.7
Others *(Note)*	842	8.4	718	3.1	4,075	11.8
Total	10,016	100.0	23,108	100.0	34,357	100.0

Note: "Others" mainly includes sales through e-commerce platforms operated by third parties.

We have developed a nationwide distribution and retailing network throughout the PRC (with the exception of Tibet). As at the Latest Practicable Date, we had a dedicated sales team of 71 employees for liaising with and visiting our distributors and retailer customers. Although we did not have a pre-determined business strategy to focus on selling our Yo Yo Monkey Business products through retailers rather than distributors, the percentage of our revenue of Yo Yo Monkey Business generated from sales to retailers demonstrated an increasing trend during the Track Record Period, which was mainly because we successfully established business relationship with and expanded our sales to several renowned baby product chain stores in the PRC.

(a) ***Retailers***

(i) *Sales*

We sell our "Yo Yo Monkey (優優馬騮)" brand products to retailers across the PRC. Our retailer customers mainly include baby products stores. Our Directors believe that selling our products through the retailers can allow us to take advantage of the retail network of the retailers and make our products available to more end consumers. For each of the years ended 31 December 2015, 2016 and 2017, we had 22, 39 and 136 retailers, respectively. For each of the years ended 31 December 2015, 2016 and 2017, revenue from sales of our "Yo Yo Monkey (優優馬騮)" brand products to retailers amounted to approximately HK$3.1 million, HK$11.2 million and HK$17.3 million, representing approximately 30.6%, 48.5% and 50.5% of our revenue from our Yo Yo Monkey Business and approximately 1.3%, 4.2% and 7.7% of our total revenue, respectively. Our revenue from our retailers increased during the Track Record Period as a result of (i) increase in sales to existing retailers; and (ii) additional sales to new retailers. For each of the years ended 31 December 2015, 2016 and 2017, approximately 47.0%, 41.3% and 51.8% of our revenue generated from retailers respectively, were from new retailers from which we did not generate revenue during the preceding financial year.

Our relationship with most of our retailers are buy-and-sell relationship. During the Track Record Period, we conducted business with five of our retailers by way of consignment, where the retailers were only obliged to pay us upon the sales of our products to the end consumers at their retail outlets. Revenue from these retailers which adopted consignment arrangement amounted to approximately HK$0.2 million, HK$0.7 million and HK$2.8 million, representing approximately 2.4%, 3.2% and 8.1% of our total revenue from our Yo Yo Monkey Business, for each of the years ended 31 December 2015, 2016 and 2017, respectively. In relation to our business conducted with the retailers by way of consignment, revenue is recognised when the consignment products are sold by the retailers to the end consumers. In general, for ordinary retailers which do not adopt the consignment arrangement, we recognise revenue, net of the estimated future returns based on the historical return patterns, when our products are delivered and titles have been passed to our retailers.

The following table sets forth the changes in the number of our retailers which we had recognised revenue during the Track Record Period:

	For the year ended 31 December		
	2015	**2016**	**2017**
Preceding period	19	22	39
Gross addition	14	25	114
Gross reduction	11	8	17
Current period	22	39	136

The net increase in the number of our retailers during the Track Record Period was mainly due to the addition of new retailers as we continuously seek to expand our "Yo Yo Monkey (優優馬騮)" brand sales network in the PRC. The gross reduction of the number of our retailers during the Track Record Period was primarily attributable to the replacement of non-performing retailers with more capable and suitable retailers as we continued to improve our customer portfolio.

(ii) *Selection of retailers*

We select our retailers based on a number of selection criteria, including but not limited to the extent of their coverage in their regional markets, years of operation, financial condition, reputation and track record to ensure that they can meet our requirements.

(iii) *Purchase agreement*

We do not have purchase commitments from our retailers and sales are on an individual purchase basis. We have entered into master agreements with some of our major retailers customers which set out basic terms and conditions for our transactions. Actual sales would depend on purchase orders placed by these retailers. The terms of these purchase agreements were negotiated and vary on a case by case basis, where the common salient terms during the Track Record Period were as follows:

Duration:	usually for one year;
Retail network:	usually in any of the retailer customers' retail points;
Sales target and rebate:	there is no binding purchase commitment but we set a non-binding purchase target with our retailer customers subject to the terms of the purchase agreements. The retailer is entitled to a rebate if such non-binding purchase target is met;
Transportation:	transportation is usually arranged by us;
Return:	retailer customers generally are entitled to request for exchange of the products when the products are found to be defective or contain quality issue. Apart from quality issue, certain retailer customers, such as renowned retail chain stores, can request for the return of unsold and intact products under specified circumstances, such as for slow-selling products and/or when the master purchase agreement has expired; and
Termination:	in the event of any breach of contractual terms.

For each of the years ended 31 December 2015, 2016 and 2017, sales to our retailer customers where unsold products may be returned by such retailer customers (apart from product quality issue) pursuant to the terms of the purchase agreement amounted to approximately HK$1.8 million, HK$8.5 million and HK$8.4 million, representing approximately 18.1%, 36.9% and 24.5% of the total revenue of our Yo Yo Monkey Business and approximately 0.7%, 3.2% and 3.7% of the total revenue of our Group, respectively. The higher amounts for each of the years ended 31 December 2016 and 2017 as compared with that for the year ended 31 December 2015 was mainly attributable to our increasing sales to retailers, in particular renowned retail chain stores which generally stipulate product return clauses in their standard purchase agreements.

For each of the years ended 31 December 2015, 2016 and 2017, the actual amount of products returned by our retailer customers was nil, nil and approximately HK$225,000, representing approximately nil, nil and 0.7% of the total revenue of our Yo Yo Monkey Business and representing approximately nil, nil and 0.1% of the total revenue of our Group, respectively. The amount returned during the year ended 31 December 2017 was mainly attributable to a batch of our products being returned due to incorrect bar code labels having been attached.

As at 31 December 2015, 2016 and 2017, our trade receivables from retailers amounted to approximately HK$836,000, HK$2,980,000 and HK$4,674,000, respectively.

(b) ***Distributors***

(i) *Sales*

We also engage distributors to sell our "Yo Yo Monkey (優優馬騮)" brand products. The use of distributors allows us to increase our market penetration in regional markets in the PRC. Our distributor customers mainly include trading companies. We have a buy-and-sell relationship with all of our distributors where their purchase and payment of our products are not conditional on whether they can sell our products to their customers.

For each of the years ended 31 December 2015, 2016 and 2017, we had a total of 38, 47 and 59 distributors, respectively. For each of the years ended 31 December 2015, 2016 and 2017, revenue from sales of our "Yo Yo Monkey (優優馬騮)" brand products to distributors amounted to approximately HK$6.1 million, HK$11.2 million and HK$12.9 million, representing approximately 61.0%, 48.4% and 37.7% of our revenue from our Yo Yo Monkey Business and approximately 2.5%, 4.2% and 5.7% of our total revenue, respectively. Our revenue from our distributors increased during the Track Record Period as a result of (i) increase in sales to existing distributors; and (ii) additional sales to new distributors. For each of the years ended 31 December 2015, 2016 and 2017, approximately 54.1%, 22.1% and 33.1% of our revenue generated from distributors respectively, were from new distributors from which we did not generate revenue during the preceding financial year.

The following table sets forth the changes in the number of our distributors which we had recognised revenue during the Track Record Period:

	For the year ended 31 December		
	2015	2016	2017
Preceding period	28	38	47
Gross addition	23	22	34
Gross reduction	13	13	22
Current period	38	47	59

The general trend of the net increase in the number of our distributors during the Track Record Period was mainly due to the addition of new distributors as we continuously seek to expand our "Yo Yo Monkey (優優馬騮)" brand sales network in the PRC. The gross reduction of the number of our distributors during the Track Record Period was primarily attributable to the replacement of non-performing distributors with more capable and suitable distributors as we continued to improve our customer portfolio.

In general, we visit our distributors regularly and we strive to continuously provide our distributors' personnel with product knowledge training. We will also provide marketing materials to our distributors.

(ii) *Selection of distributors*

We select our distributors based on a number of selection criteria, including but not limited to, the extent of their coverage in their regional markets, years of operation, financial condition, reputation and track record to ensure that they can meet our distribution requirements. We generally conduct an assessment on our distributors before we enter into distribution agreements and sell our products to them.

(iii) *Distributorship Agreement*

We do not have purchase commitments from our distributors and sales depend on actual purchase orders. In general, our distributors are billed upon delivery of our products and we recognize revenue, net of the estimated future returns based on the historical return patterns, when our products are delivered and titles have been passed to our distributors. We enter into distributorship agreements directly with our distributors and the common salient terms of our distributorship agreements during the Track Record Period were as follows:

Duration:	usually for one year;
Distribution network:	our distributors are designated a defined geographical area in which the distributor is authorised to sell our products. Distributors are prohibited from selling products outside of their designated geographical area;

Pricing:	we usually sell our products to our distributors at a discount to our suggested retail price. We adopt a suggested retail price system that is applied nationwide to our distributors and our distributors are required to adopt our suggested pricing policies;
Sales target and rebate:	there is no binding purchase commitment but we set a purchase target with our distributors. The distributors are entitled to a rebate if such purchase target is met;
Transportation:	transportation is usually arranged by us;
Return:	we accept returns of our products from our distributors when there are quality defects in the products. Apart from quality issue, certain distributors can request for return of unsold and intact products under specified circumstances, such as for slow-selling products and/or when the distributorship agreement has expired; and
Termination:	aside from termination by mutual consent, we are entitled to terminate an agreement in certain circumstances such as when the distributor is bankrupt or in liquidation, in cases of debt restructuring or similar action or if the distributor fails to meet its sales targets.

For each of the years ended 31 December 2015, 2016 and 2017, sales to our distributor customers where unsold products may be returned by such distributors (apart from product quality issue) pursuant to the terms of the distributorship agreement amounted to approximately HK$2.9 million, HK$2.0 million and HK$1.7 million, representing approximately 28.9%, 8.5% and 4.8% of the total revenue of our Yo Yo Monkey Business and approximately 1.2%, 0.7% and 0.7% of the total revenue of our Group, respectively. The lower percentages for the years ended 31 December 2016 and 2017 as compared to that for the year ended 31 December 2015 was mainly because we were able to successfully negotiate with our distributors on terms that were more favourable to us.

For each of the years ended 31 December 2015, 2016 and 2017, the actual amount of products returned by our distributors amounted to approximately HK$37,000, HK$195,000 and HK$1,000, representing approximately 0.4%, 0.8% and less than 0.1% of the total revenue of our Yo Yo Monkey Business and representing approximately 0.02%, 0.07% and less than 0.01% of the total revenue of our Group, respectively. Such product returns were mainly related to certain non-performing distributors as a result of the expiry of distributorship agreements with them.

As at 31 December 2015, 2016 and 2017, our trade receivables from distributors amounted to approximately HK$129,000, HK$33,000 and HK$756,000, respectively.

For each of the years ended 31 December 2015, 2016 and 2017, (i) the amounts of sales to retailers and distributors which may return unsold products to our Group (apart from product quality issue) represented approximately 1.9%, 3.9% and 4.4% of the total revenue of our Group; and (ii) the actual amount of returned products represented approximately, 0.02%, 0.07% and 0.10% of the total revenue of our Group, respectively. The increasing trend during the Track Record Period in respect of the percentage of revenue involving unsold products which may be returned was mainly attributable to (i) the increase in the revenue of our Yo Yo Monkey Business and the percentage of our total revenue contributed by our Yo Yo Monkey Business during the Track Record Period, where our Yo Yo Monkey Business accounted for approximately 4.1%, 8.6%, and 15.2% of our total revenue for each of the years ended 31 December 2015, 2016 and 2017, respectively; and (ii) our increase in sales to renowned retail chain stores in the PRC, which generally stipulate product return clauses in their standard purchase agreements, during the Track Record Period. To the best of our Directors' knowledge after making reasonable enquiries, the amount of our products which remained unsold by our distributors and retailers whose agreements with us were still valid and contained product return rights (apart from product quality issue) by the relevant customer (other than those with consignment arrangement) as at 31 March 2018 amounted to no more than RMB2.8 million. Regarding product return request time, depending on the specific terms of the individual agreements entered into with these retailers and/or distributors, intact products which remained unsold could generally be returned to us if they were considered as slow-selling products by these retailers and/or distributors or upon expiration of the relevant agreements.

To avoid channel stuffing of our products in the hands of our distributors, (i) we in general do not set a minimum purchase amount to avoid distributors carrying excessive inventory; (ii) we generally request payment by our distributors before we deliver our products; (iii) our sales staff visit our distributors from time to time to understand the sales performance of our distributors; and (iv) our sales staff periodically obtain inventory report from our distributors where available. We consider the risk of the incurrence of channel stuffing for our Yo Yo Monkey Business is low, mainly because (i) approximately 77.9% and 66.7% of our revenue from distributors for each of the years ended 31 December 2016 and 2017, respectively, were derived from existing distributors from which we had generated revenue during the preceding financial year, rather than from one-off sales to non-performing distributors who do not place further orders; and (ii) our distributors are located in and covering a wide range of region in the PRC rather than focusing on a single province; and (iii) our aforesaid measures to avoid channel stuffing.

To avoid cannibalisation among our distributors, in general, (i) we consider the geographical coverage of the distributor before we engage a new distributor; (ii) our distributors are limited to sell within one specific province or region in accordance with the distributorship agreement; and (iii) if our distributor distributes outside the specified province or region, we have the right to revoke its distributor role in accordance with our distributorship agreement. Furthermore, to avoid cannibalisation among our distributors and retailers, during the selection process, we request distributors and retailers to provide particulars of their sales channels, such as a list of retail stores, for us to assess whether the

network of retail stores of our retailers and distributors would become overly concentrated in the relevant geographical areas, so as to limit the competition among our distributors and retailers.

For further information in respect of our accounting treatments, please refer to the notes to the Accountant's Report set out in Appendix I to this document.

None of our Directors, their respective associates or shareholders holding more than 5% of the issued share capital of our Company had any interest in any of our retailers and distributors during the Track Record Period up to and including the Latest Practicable Date.

INVENTORY CONTROL

Our inventory primarily consists of raw materials, work in progress and finished goods. The inventory is stored at our Production Base and our staff performs regular cycle counts on the inventory to ensure that our records are up-to-date and accurately reflect our inventory levels and movements in our inventory.

We maintain close relationships with our OEM Business customers and some of our customers may inform us as to their upcoming purchase schedules. Based on their upcoming purchase schedules, we set our production schedule and procure raw materials. We aim to avoid having high inventory levels and endeavour to procure raw materials based on purchase orders, production schedules and existing inventory levels. Nonetheless, for raw materials which are frequently used in a wide variety of our products, such as plastic resin, we maintain around one to two months worth of inventories, depending on factors including expected demand for production.

We have the following major inventory management procedures in place to ensure efficient management of our inventory:

- raw materials (except those frequently used in a wide variety of our products such as plastic resin) are procured based on purchase orders, production schedules and existing inventory levels;
- incoming raw materials are recorded prior to storage;
- finished goods, work in progress and other materials are categorised and recorded prior to storage;
- outgoing raw materials, finished goods, work in progress and other materials are recorded to reflect inventory levels; and
- regular inventory counts are performed to ensure that the number of items in our storage facilities correspond with all record entries during the relevant period.

PRODUCT DESIGN AND DEVELOPMENT

We generally design and develop the infant and toddler products sold under our "Yo Yo Monkey (優優馬騮)" brand, including feeding bottles, training cups, insulated cups and semi-disposable cups.

Our design personnel have an average of seven years of industry experience. As at the Latest Practicable Date, we had four design personnel.

For each of the years ended 31 December 2015, 2016 and 2017, we incurred expenses of approximately HK$1.2 million, HK$1.2 million and HK$1.5 million, respectively, in our product design and development activities and we recognised such costs as expenses. Such costs included employee benefit expenses for design and product development.

CERTIFICATIONS

In recognition of our quality and management, we have been granted a number of certifications. The significant certifications are summarised as follows:

Validity period	Certification	Issuing authority
Dec 2014 to Dec 2019	Adopting International Standard Product Marking Certificate (feeding bottles) (採用國際標準產品標誌證書) (奶瓶)	Administration of Quality and Technology Supervision of Guangdong Province (廣東省質量技術監督局)
Dec 2014 to Dec 2019	Guangdong Province Acknowledgment of Adopting International Standard Product Certificate* (feeding bottles) (廣東省採用國際標準產品認可證書) (奶瓶)	Administration of Quality and Technology Supervision of Guangdong Province (廣東省質量技術監督局)
Dec 2014 to Dec 2019	Adopting International Standard Product Marking Certificate (plastic drinking cups) (採用國際標準產品標誌證書)(塑料飲水杯)	Administration of Quality and Technology Supervision of Guangdong Province (廣東省質量技術監督局)
Dec 2014 to Dec 2019	Guangdong Province Acknowledgement of Adopting International Standard Product Certificate* (plastic drinking cups) (廣東省採用國際標準產品認可證書) (塑料飲水杯)	Administration of Quality and Technology Supervision of Guangdong Province (廣東省質量技術監督局)

Validity period	Certification	Issuing authority
Feb 2018 to Feb 2019	Seal of compliance with ICTI Code of Business Practices (2013 version)	ICTI
Feb 2016 to Apr 2019 (certified since 2007)	Quality Management System Certificate (ISO9001:2008 and GB/T 19001-2008) (design and production of infant plastic products) (質量管理體系認證證書) (嬰幼兒塑膠製品的設計和生產)	China Quality Certification Centre (中國質量認證中心)
Jan 2017 to Apr 2019 (certified since 2007)	Quality Management System Certificate (ISO 9001:2015) (design and production of infant plastic products) (質量管理體系認證證書) (嬰幼兒塑膠製品的設計和生產)	China Quality Certification Centre (中國質量認證中心)
June 2017 to June 2020	Work Safety Standardization Certificate — 3rd Grade (other light industry) (安全生產標準化三級企業(輕工其他))	Shaoguan Provincial Association of Work Safety (韶關市安全生產協會)

COMPETITION

For our OEM Business, according to the Euromonitor Report, the plastic bottles and baby feeding accessories export industry is a mature and fragmented market. Among all the OEM manufacturers who export from Hong Kong and the PRC to the US, the top five leading OEM manufacturers represented 10.3% of the total value of plastic bottles and baby feeding accessories export from Hong Kong and the PRC to the US in 2017, indicating a highly fragmented market. Such high fragmentation largely results from the low cost of plastic bottles and baby feeding accessories production in comparison to other consumer goods and robust demand from the global market.

For our Yo Yo Monkey Business, according to the Euromonitor Report, the market of plastic bottles, cups and tableware for infants and toddlers in the PRC is mainly led by foreign brands since they are perceived as being safe, having high quality and targeting high-end segment, while domestic brands are focusing on mass and mid- to high-end market. Domestic brands are present throughout the country and it is expected that domestic brands will further gain market share in the future.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group has registered 24 trademarks, three utility model patents and three domain names in the PRC, three trademarks and three domain names in Hong Kong, and two trademarks in the US which relate to our "Yo Yo Monkey (優優馬騮)" brand. We did not experience any infringement of our intellectual property rights that had a material impact on our Group during the Track Record Period up to and including the Latest Practicable Date.

Our manufacturing processes, which primarily involve injection and blow moulding, are generic processes, which do not involve technologies developed by our customers. The designs of certain products, such as plastic baby feeding bottles, may be similar for our OEM Business and our Yo Yo Monkey Business. Nonetheless, we have internal control measures to ensure that the product designs, technologies or processes developed by our OEM Business customers or other third parties would not be adopted in our Yo Yo Monkey Business without their authorisation. Our major OEM Business customers are aware of our Yo Yo Monkey Business and we did not receive any intellectual property rights complaints or claims from our OEM Business customers or any other third parties during the Track Record Period and up to the Latest Practicable Date.

Further details of the intellectual property rights of our Group, please refer to the paragraphs headed "Further information about our business — Intellectual property rights" in Appendix IV to this document.

EMPLOYEES

As at the Latest Practicable Date, we employed 765 employees. Below is a table setting forth the number of our full-time employees by area of responsibility as at the Latest Practicable Date:

Function	Number of employees
Management	7
Administration/Human resources	26
Finance	12
Engineering	31
Production	519
Inventory management	23
Quality control	42
Sales/Marketing/Logistics	101
Design	4
Total	765

Employee training

We place strong emphasis on the development and training of our employees. We provide a variety of training to our employees. We believe this can increase the overall competitiveness of our workforce. We strive to ensure that our employees are equipped with the required skills and safety knowledge when performing their duties and we aim to impart up-to-date knowledge and information to them.

Staff benefits

In compliance with applicable statutory requirements in the PRC, our Group participates in social insurance and housing provident fund for our PRC employees as applicable. Such social insurance included pension insurance, medical insurance, maternity insurance, unemployment insurance and injury insurance. For our Hong Kong employees, our Group contributes to their mandatory provident fund schemes as required under the applicable statutory requirements in Hong Kong.

Our Directors confirm that we had no material non-compliance in respect of applicable labour laws in the PRC and Hong Kong during the Track Record Period, save for the matters as disclosed in the paragraph headed "Legal proceedings and non-compliance" below.

Relationship with employees

Our Directors believe that we maintain good working relationship with our employees and a labour union has been established by our employees at our Production Base. Our Directors confirm that we had not encountered any material difficulty in recruitment and retention of staff for our operation or experienced any material disruption in our operation as a result of labour disputes during the Track Record Period.

OCCUPATION SAFETY AND HEALTH MATTERS

Our business and operations in the PRC are subject to various labour and safety laws and regulations in the PRC, including the Labour Law of the PRC, the PRC Labour Contract Law and the Social Insurance Law. In Hong Kong, our business and operations are subject to various labour legislation including the Employment Ordinance and the Employees' Compensation Ordinance. Please refer to the section headed "Regulatory overview" in this document for further details.

We place great emphasis on compliance with the applicable labour and safety laws and regulations and have established necessary measures to comply with those laws and regulations. We have established internal work place safety guidelines and conducted occupational safety trainings to promote safety awareness of our employees.

In 2017, Wancheng Plastic was awarded the Work Safety Standardization Certificate — 3rd Grade (other light industry) (安全生產標準化三級企業(輕工其他)) by the Shaoguan Provincial Association of Work Safety (韶關市安全生產協會). The certificate is valid until June 2020. Wancheng Plastic, on 27 February 2018, was also awarded a seal of compliance by ICTI

confirming that Wancheng Plastic has implemented a Code of Business Practices System, which complies with the requirements of ICTI Code of Business Practices (2013 version). The seal is valid until 26 February 2019.

We had not experienced any significant labour accident which had a material adverse impact on us during the Track Record Period and up to the Latest Practicable Date. The PRC Legal Advisers advised that we have complied with all relevant mandatory local and national occupation health and safety laws and regulations during the Track Record Period and up to the Latest Practicable Date. No penalty has been imposed on us by the relevant PRC authorities in respect of our non-compliance of the occupation health and safety matters during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL PROTECTION

Environmentalists have long discouraged the use of plastic products as plastic is not biodegradable and is considered environmentally unfriendly. Governmental bodies have introduced policies to discourage the use of plastic products but these policies do not target the major product types of our Group in general. According to the Euromonitor Report, the use of plastics is not easily replaceable on a large scale given the low costs together with the physical properties of plastics. Plastic products can be manufactured as biodegradable by adding biodegradable additives during the manufacturing processes, but the addition of such additives may have an adverse impact on the physical properties of the manufactured products and increases production costs. The plastic products of our Group are not biodegradable as no biodegradable additives were added during our manufacturing process in view of (i) the importance of the maintenance of the quality of the physical properties of our products which are for infants and toddlers to use; and (ii) our products are generally for longer term use rather than frequently being disposed after one-off use, therefore the need for our products to be biodegradable is lower as compared with other plastic products which are frequently disposed. According to the Euromonitor Report, the plastic bottles and baby feeding accessories sold in the United States and the PRC markets are generally not biodegradable and plastic bottles and baby feeding accessories which are non-biodegradable are expected to remain dominant in the markets in the foreseeable future.

We recognise the importance of environmental protection and have adopted various measures for environmental protection in order to ensure the compliance by us with the prevailing environmental protection laws and regulations. Please refer to the paragraphs headed "Laws and regulations relating to environmental protection" in the section headed "Regulatory overview" of this document for details about the environmental protection requirements related to our operations.

For each of the years ended 31 December 2015, 2016 and 2017, our cost of compliance with applicable environmental laws and regulations were approximately HK$113,000, HK$136,000 and HK$210,000, respectively, which were mainly attributable to the cost of waste disposal fees.

As advised by our PRC Legal Advisers, our Production Base was in all material respects in compliance with the applicable environmental protection laws and regulations during the Track Record Period.

LICENSES, PERMITS AND APPROVALS

As advised by our PRC and Hong Kong Legal Advisers, our Group has obtained all approvals, permits, licenses and registrations required for our business and operations and all of them are in full force and effect. During the Track Record Period and up to the Latest Practicable Date, we did not experience any failure in applying for or renewing our required operation licenses.

INSURANCE

As advised by our legal advisers to the relevant laws and regulations of the PRC, Hong Kong and the US, we are not required to maintain any product liability insurance, we nevertheless obtained product liability insurance for our Yo Yo Monkey Business in 2016. We may also at our customers' request purchase product liability insurance in respect of some or all of the products we manufacture for them. As at the Latest Practicable Date, we had maintained product liability insurance in respect of certain products we manufacture for our customers and we have also insured some of our major customers against product liability claims in respect of certain products we manufacture for them. We do not maintain business interruption insurance or third-party liability insurance for claims of personal injury or property damage arising from accidents relating to our operations. Our Directors believe that our Group's insurance coverage is in line with industry practice.

Our Group did not have any claims or liabilities arising from any accidents relating to our operations or experienced any material production interruptions or product liability incidents during the Track Record Period.

For each of the years ended 31 December 2015, 2016 and 2017, we incurred insurance expenses of approximately HK$180,000, HK$173,000 and HK$330,000, respectively.

INTERNAL CONTROL

In preparation for the [REDACTED], we had engaged an independent internal control adviser (the "**Internal Control Adviser**") in January 2017 to review selected areas of our internal controls over financial reporting (the "**Internal Control Review**"). The scope of the Internal Control Review in January 2017 performed by the Internal Control Adviser was agreed between us, the Sponsor and the Internal Control Adviser. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Adviser included revenue and receivables, purchases and payables, inventory management, production management, cash/treasury management, human resources management, financial reporting and disclosure, property, plant and equipment, taxation and IT general controls (for key financial reporting systems). The Internal Control Review was conducted based on information provided by us, and no assurance or opinion on the internal controls was expressed by the Internal Control Adviser.

The Internal Control Adviser has, in respect of its review, recommended measures to improve and rectify weakness identified in the Internal Control Review. The table below sets out the major findings and recommendations raised by the Internal Control Adviser in its internal control review report:

	Major findings	Recommendations
1.	Our Company had not established a framework for the monitoring and reporting of inside information (or price sensitive information).	Our Company should formally develop a formal policy to identify, monitor and report on inside information. The policy should cover: • definition of inside information; • when and how should inside information be disclosed; • responsibility for compliance and management controls; • safe harbours that allows non-disclosure of inside information; and • guidance on particular situations and issues.
2.	Our Company had limited procedures in place to identify, monitor and report the list of related parties and connected transactions for financial reporting and disclosure purposes.	Our Company should enhance the related party and connected transactions monitoring procedures by: • reviewing all external directorships and compare this against the current supplier/customer database to identify any potential related party transactions; • maintaining the list of related parties and connected transactions of our Company; and • reviewing the list regularly at board/audit committee meetings.
3.	Our Company had no formal corporate governance policy or guidelines.	Our Company should establish formal corporate governance policies and guidelines to help comply with the code provision and other mandatory disclosure requirements as set out in the Listing Rules.
4.	Our Company had not established an internal audit function and there was no formalized mechanism to identify, record, monitor, report and follow up on internal control deficiencies.	Our Company should establish an independent internal audit function to provide the Board and management comfort over the systems of internal control.
5.	Our Company had no dual signatory controls on cheque payments or bank transfers in place.	Our Company should implement dual signatory controls for all cheque payments and bank transfers.
6.	Our Company had used personal bank accounts for some of our transactions.	Our Company should enhance the cash management controls by using a corporate bank account(s) for all of our transactions.

Our Group has subsequently taken corrective actions in response to such findings and recommendations. After considering the remedial actions taken, our Directors are satisfied that our internal control system is adequate and effective for our operation.

Details of the utilisation of personal bank accounts for some of our transactions

During the Track Record Period, we had used two personal bank accounts in the PRC, which are separately owned by Mr. Chau Wai (our executive Director) and the treasurer of Wancheng Plastic respectively (the "**Personal Bank Accounts**"), for certain transactions of Wancheng Plastic and Anyu Baby, including expense disbursement, payroll, tax payment and receipt of sales proceeds in the PRC (the "**Practice**"). The Practice commenced prior to the Track Record Period for convenience purposes and continued during the Track Record Period as no professional advice was available to us at the material time on our cash management procedures.

Notwithstanding the fact that we adopted the Practice during the Track Record Period, we maintained the records of cash received and paid from/to third parties and our staff through the Personal Bank Accounts. Our finance department conducted reconciliation on a regular basis of our transaction records with the settlement records in the bank statements of the Personal Bank Accounts to ensure that our transactions settled through the Personal Bank Accounts correctly matched with our records. Such reconciliation ensured that all receipts and payments through the Personal Bank Accounts were properly recorded in the books and records of our Group.

In preparation for the [REDACTED] and under the recommendation of the Internal Control Adviser, we enhanced our internal control measures in respect of our cash management. Since June 2017, we discontinued the Practice and all outstanding amounts with the Personal Bank Accounts had been transferred to our corporate bank account by the end of June 2017. We had set up internal control policies to prevent the recurrence of the Practice in the future.

During the Track Record Period, only the account of Mr. Chau Wai was used to receive sales proceeds and the total amount of sales proceeds received by Mr. Chau Wai's personal bank account on behalf of our Group was approximately RMB21.0 million. The Personal Bank Accounts had aggregate outstanding balance of approximately RMB663,000 and RMB50,000 as at 31 December 2015 and 2016, respectively, and, following the cessation of the Practice, was nil as at 30 June 2017.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

Our Directors believe that corporate governance and risk management are crucial to the development and success of our business. Therefore, we have adopted corporate governance measures and risk management measures in various aspects of our business operations, such as financial reporting, legal compliance, information system and premises safety and human resources management.

Corporate governance

In terms of corporate governance, our Group has, *inter alia*, (i) appointed three independent non-executive Directors to ensure the effective exercise of independent judgment on its decision-making process; (ii) established an audit committee to review our financial reporting and internal control and risk management systems and oversee the audit process; (iii) appointed First Shanghai Capital Limited as our compliance adviser in accordance with the applicable Listing Rules; and (iv) provided (and will continue to provide) our Directors with training on applicable legal and regulatory requirements from time to time.

Risk management

We recognise the need for risk management in our strategic and operational planning, day-to-day management and decision making process. We are committed to managing and minimising risks by identifying, analysing, evaluating and mitigating risk exposures that may impact the continued efficiency and effectiveness of our operation or financial condition, such as risks relation to credit, foreign exchange and liquidity. The objectives of risk management are to safeguard our Group against unacceptable levels of risks and losses.

The risk management process of our Group includes an annual risk identification exercise which involves our assessment of the consequence and likelihood of risks and our development and/or review of risk management plans for mitigating such risks. Based on the above, our Directors are of the view that our Company has adequate corporate governance measures and risk management procedures in place for the business operations of our Group.

PROPERTIES

Set out below is a summary of our Group's leased properties as at the Latest Practicable Date:

Location	Leasable area	Lessee	Lessor	Term	Use of the property
Room 907, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	2,113 sq.ft.	Main Success	Kwong Fai	Three years commencing from 1 June 2017 and expiring on 31 May 2020 (to renew for a further three years at the tenant's option	Headquarters
Peng Hui Industries Area, Guan Du Economy Development Test Zone, Wengcheng Town, Wengyuan County, Shaoguan City, Guangdong, PRC	34,450.51 sq.m.	Wancheng Plastic	Penghui	Five years commencing from 1 April 2017 and expiring on 31 March 2022	Production Base
Peng Hui Industries Area, Guan Du Economy Development Test Zone, Wengcheng Town, Wengyuan County, Shaoguan City, Guangdong, PRC	3,149.79 sq.m.	Anyu Baby	Penghui	Five years commencing from 1 April 2017 and expiring on 31 March 2022	Production Base
Unit 02B, Room 601, 8 Zhujiang West Road, Tianhe District, Guangzhou City, Guangdong, PRC	158.05 sq.m.	Anyu Baby	Xiaogaode (Guangzhou) Property Company Limited* (小高德(廣州)置業有限公司), an Independent Third Party	Three years commencing from 28 August 2017 and expiring on 31 August 2020	Office

During the Track Record Period and up to the Latest Practicable Date, we leased from connected persons, rather than owned, the premises of our Production Base in the PRC and our headquarters in Hong Kong. For further details regarding the above leases which are executed with connected persons, please refer to the section headed "Connected transactions" in this document.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

Save as disclosed in the chart below, as at the Latest Practicable Date, there were no material legal proceedings, regulatory inquiries or investigations made or pending, or threatened against any member of our Group.

The following table sets out our non-compliance during the Track Record Period:

Non-compliance incidents and reasons	Legal consequences and potential maximum penalties	Latest status	Remedial and preventative measures taken
1. Wancheng Plastic and Anyu Baby did not pay social insurance contributions for all employees in accordance with the applicable PRC laws and regulations until June 2017, because some of the employees refused to make their own social insurance contributions, for which Wancheng Plastic and Anyu Baby would be required to make matching contributions. For each of the years ended 31 December 2015, 2016 and 2017, the unpaid social insurance contributions were approximately, RMB2.4 million, RMB1.7 million and RMB0.7 million, respectively.	According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), where an employer fails to make social insurance contributions in full and on time, the social insurance contribution collection agencies shall order it to make all outstanding contributions within a specified period and impose a late payment fee at the rate of 0.05% per day from the date on which the contributions become due. If such employer fails to make the overdue contributions within the specified period, the relevant administrative department may impose a fine equivalent to 1 to 3 times the overdue amount.	Wancheng Plastic and Anyu Baby have received waiver letters from such employees who refused to make their own social insurance contributions until June 2017 in which they indicated their voluntary renunciation of their participation in the social insurance scheme. They further agreed to renounce their rights to any potential claims against our Group in respect of the social insurance contributions.	Wancheng Plastic and Anyu Baby received confirmation letters from the relevant social insurance authorities on 16 March 2017, confirming that: (i) we have paid social insurance contributions for our employees; (ii) they will not require us to pay any unpaid social insurance contributions and will not impose any penalty on us for such non-compliance; and (iii) we had never been penalised by them for any breach of the relevant PRC laws and regulations relating to social insurance scheme. Wancheng Plastic and Anyu Baby have paid social insurance contributions in compliance with the relevant PRC Laws and regulations for all employees since June 2017. Mr. Chung and Mr. Chau agrees and undertakes to indemnify Wancheng Plastic and Anyu Baby on demand from and against all losses, claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred directly or indirectly as a result of or in connection with the failure to pay the full amount of social insurance contributions in accordance with the Social Insurance Law of the PRC.
2. Wancheng Plastic and Anyu Baby did not set up a housing provident fund account at their respective establishment, and did not pay housing provident fund contributions for all employees in accordance with the applicable PRC laws and regulations until June 2017. For each of the years ended 31 December 2015, 2016 and 2017, the unpaid housing provident fund contributions were approximately RMB0.4 million, RMB0.5 million and RMB0.1 million, respectively.	According to the Housing Provident Fund Management Regulations (《住房公積金管理條例》), employers failing to (i) register housing provident fund accounts within 30 days after employment of the relevant employee may be subject to a fine ranging from RMB10,000 to RMB50,000; (ii) pay housing provident fund contributions within 30 days after employment of the relevant employee may be ordered to make outstanding contributions. The relevant housing provident fund authority may apply to the PRC courts for enforcement of such payments for any further failure to make such payments.	Wancheng Plastic and Anyu Baby have received waiver letters from such employees who refused to make their own housing provident fund contributions until June 2017 in which they indicated their voluntary renunciation of their participation in the housing provident fund. They further agreed to renounce their rights to any potential claims against our Group in respect of the housing provident fund contributions.	Wancheng Plastic and Anyu Baby received confirmation letters from the relevant housing provident fund authorities on 16 March 2017, confirming that: (i) we had never been penalised by them for any breach of the relevant PRC laws and regulations relating to housing provident fund; and (ii) they will not require us to pay any unpaid housing provident fund contributions and will not impose any penalty on us for such non-compliance. Wancheng Plastic and Anyu Baby have registered housing provident fund accounts in August 2015 and January 2017 respectively, and paid housing provident fund contributions in compliance with the relevant PRC Laws and regulations for all employees since June 2017. Mr. Chung and Mr. Chau agrees and undertakes to indemnify Wancheng Plastic and Anyu Baby on demand from and against all losses, claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred directly or indirectly as a result of or in connection with the failure to pay the full amount of housing provident fund in accordance with the Regulations on Management of Housing Provident Fund.

	Non-compliance incidents and reasons	Legal consequences and potential maximum penalties	Latest status	Remedial and preventative measures taken
3.	Main Success failed to lay before its annual general meeting its audited financial statements for the financial year ended 31 March 2013 within nine months in contravention of section 122 of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong). The omission was not willful and due to the inadvertent oversight of the administrative staff responsible for supervision on secretarial matters and the absence of timely and professional advice at the material time.	The directors who were in default of section 122 of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong) may be liable to a maximum fine of HK$300,000 and a maximum imprisonment for 12 months. As advised by our Hong Kong Legal Advisers, the breach can be rectified by seeking a court order from the Hong Kong court. However, such application is likely to be dismissed as the breaches are inadvertent and no prejudice would have been caused to shareholders of the company. Hence, the prospect of the Main Success or its directors being prosecuted in respect of the breaches under sections 122 of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong) is remote and no rectification action at the Hong Kong courts is required for rectifying the breach.	The audited financial statements for the financial year ended 31 March 2013 was circulated to and approved by the shareholders of Main Success on 1 March 2014.	Subsequent audited financial statements were laid before annual general meeting in a timely manner since 2014. Our company secretary is responsible for supervising and will remind the staff responsible for the preparation of financial statements to prepare and lay the audited financial statements in a timely manner in advance.
4.	Main Success failed to submit the notice (Form 56F) in 2015 regarding the cessation of employment of one employee which is required to be filed within one month before the expected date of departure of such employee, in contravention of section 52(5) of the Inland Revenue Ordinance of Kong Kong. The omission was not willful and was due to inadvertent oversight of the administrative staff of Main Success responsible for employee records at the relevant time.	Under section 80 of the Inland Revenue Ordinance of Hong Kong, the maximum penalty for the failure to file Form 56F is HK$10,000. Having considered that there appears to be no taxative repercussions arising from the non-compliance and we had duly filed the Employer's Return on Remuneration and Pensions (Form 56B), our Hong Kong legal advisors are of the view that the likelihood of the IRD instituting prosecution against Main Success for the non-compliance would be slim.	The relevant notices for all employees of Main Success who subsequently ceased employment were duly filed within the prescribed time limit.	Our company secretary is responsible for supervising and will remind the staff responsible for the preparation of fillings with the Commissioner of Inland Revenue. The relevant staff is required to keep a register in respect of, among other things, the preparation and filing status of all relevant documents required under the Inland Revenue Ordinance.

Based on the confirmation letters from the relevant governmental authorities and the remedial measures mentioned above, our PRC Legal Advisers are of the view that the possibility that we will be penalised or ordered to make retrospective payments for the shortfall to the social insurance fund and/or housing provident fund as a result of its failure to make the requisite contributions prior to June 2017 is relatively low. On this same basis and having considered the advice from our PRC Legal Advisers, our Directors take the view that the risk that we will be penalised as a result of our failure to make social insurance contributions and housing provident fund contributions to all of our employees prior to June 2017 is remote, and accordingly, no provision in our financial information has been made. In addition, our Directors are of the view that the failure to contribute to the social insurance fund and housing provident fund for all of our employees as stipulated by the relevant PRC laws and regulations will not have a material adverse impact on our Group's operations and financial conditions. As the above non-compliance incidents were not material, our Directors are of the view and the Sponsor concurs with such view that the above non-compliance incidents would not affect the suitability of our Directors to act as directors of our Company under the Listing Rules.

Our business activities in Countries subject to International Sanctions

During the Track Record Period, a portion of our products were sold and/or delivered to certain Countries subject to International Sanctions, namely Lebanon, Myanmar/Burma, Russia and Ukraine on FOB or FCA basis. The reason for such sales and/or deliveries was either (i) our direct customer was not located in Countries subject to International Sanctions, but requested us to deliver our products to their sales markets in these countries; or (ii) our direct customer was located in such Countries subject to International Sanctions. Our revenue derived from products sold and/or delivered to Countries subject to International Sanctions amounted to approximately HK$2.2 million, HK$2.8 million and HK$1.4 million, representing approximately 0.9%, 1.0% and 0.6% of our total revenue, for each of the years ended 31 December 2015, 2016 and 2017, respectively.

Hogan Lovells, our International Sanctions Legal Advisers, performed the following procedures to evaluate our risk of exposure to penalties imposed under International Sanctions laws and regulations:

(a) reviewed documents provided by us about our Group, our business operations, revenues, sales contracts, customer lists, subsidiaries, branches, sales offices and representatives where applicable, ownership structure and management;

(b) reviewed our list of customers during the Track Record Period against the lists of persons and organisations subject to International Sanctions, and confirming that none of these customers is on such lists; and

(c) received written confirmation from us that except as otherwise disclosed in this document, neither our Group nor any of our affiliates (including any representative office, branch, subsidiary or other entity which forms part of our Group) conducted during the Track Record Period any business dealings in or with any other countries or persons that are subject to International Sanctions.

As advised by our International Sanctions Legal Advisers after performing the procedures set out above, our activities during the Track Record Period do not appear to implicate restrictions under International Sanctions. Further, given the scope of our [REDACTED] and the expected [REDACTED] as set out in the Document, our International Sanctions Legal Advisers are of the view that the involvement by parties in the [REDACTED] will not implicate any applicable International Sanctions on such parties, including our Company, our Company's investors, shareholders, the Stock Exchange and its listing committee and group companies, or any person involved in the [REDACTED] and accordingly, the sanction risk exposure to our Company, its investors and shareholders, and persons who might, directly or indirectly, be involved in permitting the [REDACTED], trading and clearing of our Company's shares (including the Stock Exchange, its listing committee and related group companies) is very low.

Our Directors confirm that we have not been notified of that any International Sanctions will be imposed on us for our sales and/or deliveries to the Countries subject to International Sanctions during the Track Record Period. None of the counterparties are specifically identified on the Specially Designated Nationals and Blocked Persons by OFAC or other restricted parties lists maintained by the EU, Australia and the UN and therefore would not be deemed as sanctioned targets. Such sales and/or deliveries do not involve industries or sectors that are currently subject to International Sanctions and therefore are not deemed to be prohibited activities under the relevant International Sanctions.

We intend to continue to sell and/or deliver our products to Countries subject to International Sanctions after the [REDACTED], although our Directors do not expect any material increase in our Group's sales or deliveries to these countries.

Our undertakings and internal control procedures

We have undertaken to the Stock Exchange that, after the [REDACTED], (i) we will not use the [REDACTED] from the [REDACTED] to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Countries subject to International Sanctions or Sanctioned Persons where this would be in breach of International Sanctions; (ii) we will not enter into any sanctionable transaction that would expose our Group, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders to any risk of being sanctioned; and (iii) we will make timely disclosures on the Stock Exchange's website and on our own website if we should believe that any of our business transactions would put our Group or our Shareholders at risk of being sanctioned and in our annual reports or interim reports our efforts on monitoring our business exposure to sanction risks and our business intentions relating to the Countries subject to International Sanctions.

We will continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders. The following measures will be fully implemented prior to the [REDACTED]:

- to further enhance our existing internal risk management functions, our Board will establish a sanctions oversight committee, comprising of our executive Director Mr. Leonard Chung, chief operating officer Mr. Cheung Chor Yin and chief financial officer and company secretary Mr. Ko Kam On. Its responsibilities will include, among others, monitoring our exposure to sanctions risks and our implementation of related internal control procedures. Our sanctions oversight committee will hold at least two meetings each year to monitor our exposure to sanctions risks;

- we will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in Countries subject to International Sanctions and with Sanctioned Persons. According to our internal control procedures, our sanctions oversight committee needs to review and approve all relevant business transaction documentation from customers or potential customers from Countries subject to International Sanctions and with Sanctioned Persons. In particular, our sanctions oversight committee will review the information (such as the identity and nature of business) relating to the counterparty along with the draft business transaction documentation. Our sanctions oversight committee will check the counterparty against the various lists of restricted parties and countries maintained by the US, the EU, the UN or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions, which lists are publicly available, and determine whether the counterparty is, or is financing or facilitating, a person located in Countries subject to International Sanctions or a Sanctioned Person. If any potential sanctions risk is identified, we will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions matters;

- our sanctions oversight committee will periodically review our internal control policies and procedures with respect to sanctions matters. As and when our sanctions oversight committee considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and

- if necessary, external international legal counsel will provide training programs relating to the sanctions to relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of Countries subject to International Sanctions and Sanctioned Persons to relevant personnel.

Our International Sanctions Legal Advisers have reviewed and evaluated these internal control measures and are of the view that these measures are adequate and effective for our Group to prevent potential violations of International Sanctions. Having taken the advice of our International Sanctions Legal Advisers into account, our Directors are of the view that the above measures provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to International Sanctions laws so as to protect the interests of our Shareholders and us. After undertaking the relevant due diligence, and subject to the full implementation and enforcement of such measures on an ongoing basis, the Sponsor is of the view that these measures will provide a reasonably adequate and effective internal control framework to assist our Group in identifying and monitoring any material risk relating to International Sanctions laws.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the [REDACTED] and [REDACTED] (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), L.V.E.P. Holdings and Ching Wai Holdings, which are wholly-owned by Mr. Chung and Mr. Chau respectively, will be interested in [REDACTED] and [REDACTED] of the Shares respectively. For details regarding the shareholding interest of the Controlling Shareholders, please refer to the section headed "Substantial Shareholders" in this document. Our Controlling Shareholders, Mr. Chau and Mr. Chung, are executive Directors of our Company. For further details, please refer to the paragraph headed "Directors — Executive Directors" in the section headed "Directors and senior management" in this document.

Save as disclosed above, there is no other person who will, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account of any allotment and issue of Shares pursuant to the exercise of options to be granted under the Share Option Scheme), be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

To better safeguard our Group from any potential competition, each of our Controlling Shareholders has entered into the Deed of Non-competition with our Company whereby each of our Controlling Shareholders jointly and severally, irrevocably and unconditionally, undertakes with our Company that for as long as each of our Controlling Shareholders and/or their associates, directly or indirectly, whether individually or take together, remains a Controlling Shareholder, each of our Controlling Shareholders will not, and will procure that their respective associates will not, directly or indirectly, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business (whether as owner, director, operator, licensor, licensee, partner, shareholder, joint venturer, employee, consultant or otherwise) in competition with or likely to be in competition with the existing business carried on by our Group (the "**Restricted Business**"). The aforesaid undertakings do not apply to any investment or interest in units or shares of, *inter alia*, any company which engages in any Restricted Business where such investment or interest does not exceed 5% of the outstanding voting shares of the relevant company, provided that such investment or interest does not grant the Controlling Shareholders and/or their associates

(other than any member of our Group) any right to control the composition of the board of directors or managers of such company nor any right to participate, directly or indirectly, in the management of such company.

In addition, each of our Controlling Shareholders jointly and severally, irrevocably and unconditionally, undertakes that if any of our Controlling Shareholders decides to invest, be engaged, or participate in any Restricted Business, whether directly or indirectly, each of them will and/or will procure their close associates (other than member of our Group) to disclose the terms of such investment, engagement or participation to our Company and our Directors as soon as practicable and use their best endeavours to procure that such investment, engagement or participation (the "**New Business Opportunities**") is offered to our Company on terms no less favourable than the terms on which such investment, engagement or participation is offered to them. When any New Business Opportunities are referred to our Company by any Controlling Shareholders, the independent non-executive Directors of our Company will consider such opportunity on various aspects including viability and profitability.

If after offering the New Business Opportunities to our Company, and our Company has confirmed in writing (the "**Approval Notice**") that our Group does not wish to be engaged or interested in the relevant Restricted Business and it has approved in writing the relevant Controlling Shareholder(s) and their close associates to engage or have any interest in the Restricted Business, the relevant Controlling Shareholders and their respective close associates are entitled to engage or have an interest in any Restricted Business. Any Directors who is interested in the relevant Restricted Business shall not vote on relevant resolutions approving the Approval Notice.

Each of our Controlling Shareholders further undertakes:

(a) to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and

(b) to make an annual declaration on compliance with his/its undertaking under the Deed of Non-competition in the annual reports of our Company.

The obligations of our Controlling Shareholders under the Deed of Non-competition will remain in effect until:

(a) the date on which the Shares cease to be [REDACTED] on the Stock Exchange; or

(b) such Controlling Shareholder and his/its close associates, individually and/or collectively, cease to be deemed as controlling shareholders of our Company (within the meaning defined in the Listing Rules from time to time); or

(c) the Controlling Shareholder(s) and their close associates, individually and/or collectively beneficially own or are interested in the entire issued share capital of our Company.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having taken into account of the following factors, our Directors are satisfied that our Group can carry on our business independently of the Controlling Shareholders following the [REDACTED]:

Management independence

Our Board consists of seven members, comprising four executive Directors and three independent non-executive Directors. After the [REDACTED], our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. Our Group has an independent management team, led by our senior management with substantial experience and expertise in our business, to implement our Group's policies and strategies.

As for the decision-making mechanism of our Board, each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum so far as required by the Listing Rules or other applicable laws, rules and regulations.

Further, following the [REDACTED], our Board will be required to comply with provisions under the Listing Rules and certain matters, such as connected transactions, are required to disclose his interest and, subject to specified exceptions, shall not be entitled to vote on any resolution of our Board in respect of any contract or arrangement or any other proposal in which he or any of his associates has a material interest.

Three of the members of our Board are independent non-executive Directors who are all well-educated, having extensive experience in different areas or professionals and they have been appointed pursuant to the requirements under the Listing Rules. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions. Furthermore, our Board acts collectively by majority decisions in accordance with the Articles and applicable laws.

Operational independence

We have sufficient capital and employees necessary to make all decisions on, and to carry out, our own business operation independently of our Controlling Shareholders and their respective associates and will continue to do so after [REDACTED]. Our Group has also established our own set of organizational structure made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal control procedures to facilitate the effective operation of the business.

Our Group has independent access to suppliers and customers. Most of our customers and suppliers are unrelated to our Controlling Shareholders and/or their respective close associates. During the Track Record Period, we have conducted certain continuing connected transactions with our Controlling Shareholders and their associates, including the sales of plastic bottles and lids, procurement of logistics and management services, rental of our Hong Kong office and our Production Base and procurement of printing and packaging materials. For reasons and further details on such continuing connected transactions, please refer to the section headed "Connected transactions" in this document. Our Directors do not expect that there will be any other transactions between our Group and our Controlling Shareholders or their respective close associates upon or shortly after the [REDACTED]. Our Directors confirm that, during the Track Record Period, all the connected transactions are conducted on an arm's length basis, fair and reasonable, on normal commercial terms or better to our Group and in the ordinary and usual course of business of our Group.

Transactions with Tat Fung Industrial

Our Group purchased printing and packaging materials principally from Tat Fung Industrial, which is an associate of Mr. Chau and is therefore a connected person of our Company, during the Track Record Period. For each of the years ended 31 December 2015, 2016 and 2017, our total purchase amount from Tat Fung Industrial was approximately HK$28.8 million, HK$26.5 million and HK$17.5 million, respectively.

The reasons that we have principally purchased printing and packaging materials from Tat Fung Industrial during the Track Record Period were (i) Tat Fung Industrial was capable of providing a variety of printing and packaging materials required by our Group; (ii) the production and delivery lead time of Tat Fung Industrial was able to meet our requirement; (iii) the quality of the printing and packaging materials supplied by Tat Fung Industrial has been stable; and (iv) the prices offered by Tat Fung Industrial were competitive. Upon [REDACTED], we will comply with the relevant requirements under Chapter 14A of the Listing Rules in respect of connected transactions and we will adopt relevant internal control policies to ensure that the terms of the transactions with Tat Fung Industrial are not less favourable to us than those offered by Independent Third Parties.

As the printing and packaging materials purchased from Tat Fung Industrial can readily be sourced from Independent Third Party suppliers in the market, our Directors are of the view that our business operations do not have any undue reliance on Tat Fung Industrial.

Financial independence

We have an independent financial system and make financial decisions according to our own business needs. As of the Latest Practicable Date, there was no bank borrowings for which any of our Controlling Shareholders has provided guarantee. Our Directors confirm that we will not rely on our Controlling Shareholders or their respective associates for financing after the [REDACTED] as we expect that our working capital will be funded by our operating cashflow and bank borrowings.

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures will be adopted to monitor the compliance of the Deed of Non-competition:

(a) our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders and their respective associates on their existing or future competing businesses;

(b) our Controlling Shareholders shall promptly provide all information necessary for the annual review by our Company's independent non-executive Directors and the enforcement of the Deed of Non-competition and provide to our Company a written confirmation relating to the compliance of the Deed of Non-competition and make an annual declaration on compliance with the Deed of Non-competition in the annual report of our Company;

(c) our Company shall disclose decisions on matters reviewed by its independent non-executive Directors relating to the compliance and enforcement of the undertakings provided by the Controlling Shareholders either through the corporate governance report as set out in the annual report of our Company, and/or by way of announcements to the public;

(d) any New Business Opportunities under the Deed of Non-competition and all other matters determined by the Board as having a potential conflict of interest with our Controlling Shareholders will be referred to the independent non-executive Directors for discussion and decision. When necessary, such independent non-executive Directors will engage an independent financial adviser to advise them on the relevant matters. In the event any New Business Opportunities presented by or otherwise arising in connection with any of our Controlling Shareholders are turned down by our Group according to the Deed of Non-competition, our Company will disclose the decision, as well as the basis for such decision in the annual report or interim report of our Company. The annual report of our Company will include the views and decisions, with bases, of the independent non-executive Directors on whether to take up any New Business Opportunities under the Deed of Non-competition or other matters having a potential conflict of interest with our Controlling Shareholders that have been referred to the independent non-executive Directors;

(e) if a Controlling Shareholder or a Director has a conflict of interest in a matter to be considered, he/it shall act in accordance with the requirements of the Listing Rules, regarding voting on such matter; and

(f) the compliance adviser of our Company shall provide our Company with professional advice on compliance of continuing obligations under the Listing Rules in accordance with the provisions of the compliance adviser agreement and the requirements of the Listing Rules.

CONNECTED TRANSACTIONS

OVERVIEW

During the Track Record Period, we entered into certain transactions with the connected persons of our Company. Several transactions are not expected to continue after the [REDACTED] whilst the rest will continue and constitute continuing connected transactions (as defined under Chapter 14A of the Listing Rules) of our Company upon the [REDACTED].

RELATIONSHIP BETWEEN OUR GROUP AND THE CONNECTED PERSONS

The following entities will be connected persons of our Company under the Listing Rules upon [REDACTED].

Sharp Success

Sharp Success is a limited liability company incorporated in Hong Kong which is principally engaged in letting of motor vehicle permit and holding of investments. It is owned as to 50% by Mr. Chung and 50% by Mr. Chau.

Both Mr. Chung and Mr. Chau are our executive Directors and Controlling Shareholders. By virtue of Mr. Chung and Mr. Chau each holding over 30% shareholding interest of Sharp Success, Sharp Success is therefore an associate of Mr. Chung and Mr. Chau and a connected person of our Company under Chapter 14A of the Listing Rules.

Tat Fung

Tat Fung is a limited liability company incorporated in Hong Kong which is principally engaged in the holding of motor vehicles for leasing. It is owned as to 50% by Mr. Chung and 50% by Mr. Chau.

Both Mr. Chung and Mr. Chau are our executive Directors and Controlling Shareholders. By virtue of Mr. Chung and Mr. Chau each holding over 30% shareholding interest of Tat Fung, Tat Fung is therefore an associate of Mr. Chung and Mr. Chau and a connected person of our Company under Chapter 14A of the Listing Rules.

ReAlto

ReAlto is a limited liability company incorporated in Hong Kong which is wholly owned by Mr. Leonard Chung. It was previously engaged in the trading of plastic products. ReAlto ceased operation in December 2016.

Mr. Leonard Chung is our executive Director. By virtue of Mr. Leonard Chung holding over 30% shareholding interest of ReAlto, ReAlto is therefore an associate of Mr. Leonard Chung and a connected person of our Company under Chapter 14A of the Listing Rules.

Ruicai

Ruicai is a limited liability company established in the PRC, and its business scope include the production and sales of plastic products and metal hardwares. As at the Latest Practicable Date, Ruicai is owned as to 60% and 40% by Mr. Zhang Haote and an independent third party, respectively.

Mr. Zhang Haote is the younger brother of Ms. Cheung. As Mr. Zhang Haote is the brother-in-law of Mr. Chau, he is therefore a relative of Mr. Chau, as defined under Chapter 14A of the Listing Rules. By virtue of Ruicai being a majority-controlled company of Mr. Zhang Haote, Ruicai is therefore a deemed connected person of our Company under Rule 14A.21 of the Listing Rules.

San Yie

San Yie is a limited liability company incorporated in Hong Kong which is principally engaged in the trading of honey products. It is wholly owned by Ms. Cheung.

Ms. Cheung is the spouse of Mr. Chau, who is an executive Director and Controlling Shareholder of our Company. By virtue of Ms. Cheung holding over 30% shareholding interest of San Yie, San Yie is therefore an associate of Mr. Chau and a connected person of our Company under Chapter 14A of the Listing Rules.

Penghui

Penghui is a limited liability company established in the PRC and its business scope includes investing in and the development of industrial factories and ancillary facilities, as well as the provision of leasing and management services at Xinjiang Town, Wengyuan County (翁源縣新江鎮). As at the Latest Practicable Date, the equity interest of Penghui was wholly owned by Sharp Success. Sharp Success is, by reason aforementioned, a connected person of our Company. By virtue of Mr. Chung and Mr. Chau indirectly holding over 30% shareholding interest of Penghui, Penghui is therefore an associate of Mr. Chung and Mr. Chau and a connected person of our Company under Chapter 14A of the Listing Rules.

Kwong Fai

Kwong Fai is a limited company incorporated in Hong Kong which is principally engaged in property holding. It is indirectly wholly owned by Mr. Chung, our executive Director and Controlling Shareholder, and his spouse. By virtue of Mr. Chung indirectly holding over 30% shareholding interest of Kwong Fai, Kwong Fai is therefore an associate of Mr. Chung and a connected person of our Company under Chapter 14A of the Listing Rules.

Tat Fung Industrial

Tat Fung Industrial is a partnership established in Hong Kong by Ms. Cheung, the spouse of Mr. Chau and Mr. Zhang Liaodong (張遼東), brother of Ms. Cheung, whose business nature includes printing and packaging, and plastics products. As Mr. Chau is one of our executive Directors and a Controlling Shareholder, Tat Fung Industrial therefore is an associate of Mr. Chau and a connected person of our Company under Chapter 14A of the Listing Rules.

Humen Dafeng

Humen Dafeng is a PRC factory, and its business scope includes foreign printed materials (with effective permits for operation), processing and blister products. As at the Latest Practicable Date, the equity interest of Humen Dafeng is wholly owned by Tat Fung Industrial, Humen Dafeng is an associate of Mr. Chau and a connected person of our Company under Chapter 14A of the Listing Rules.

Wengyuan Dafeng

Wengyuan Dafeng is a limited company established in the PRC, and its business scope includes the production and sales of packaging products, coloured paper boxes, paper boxes, thermoforming products, printing and packaging and decorating products and other printing products. As at the Latest Practicable Date, Wengyuan Dafeng is wholly owned by Tat Fung Industrial, Wengyuan Dafeng is an associate of Mr. Chau and a connected person of our Company under Chapter 14A of the Listing Rules.

DISCONTINUED CONNECTED TRANSACTIONS

During the Track Record Period, our Group had the following transactions with the connected persons of our Company which are not expected to continue after the [REDACTED]:

Item	Type	Connected person	Nature of transactions	For the year ended 31 December		
				2015	2016	2017
				HK$'000	HK$'000	HK$'000
1	Discontinued connected transaction	Sharp Success	Rental of cross-boundary vehicle licence by Main Success	60	60	60
2	Discontinued connected transaction	Tat Fung	Rental of vehicles and cross-boundary vehicle licence by Main Success	240	120	60
3	Discontinued connected transaction	ReAlto	Supply of plastic bottles and plastic moulding and decorating tools by Main Success	151	0	0
4	Discontinued connected transaction	Ruicai	Purchase of polyethylene straw, moulds and master batch by Wancheng Plastic and Anyu Baby	3,717	1,805	0

CONTINUING CONNECTED TRANSACTIONS

Set out below is a summary of the continuing connected transactions which are expected to continue after the [REDACTED]:

During the Track Record Period, our Group had the following transactions with the connected persons of our Company which are expected to continue after the [REDACTED]:

Item	Type	Connected person	Nature of transactions	For the year ended 31 December		
				2015	2016	2017
				HK$'000	HK$'000	HK$'000
1	Exempted continuing connected transaction	San Yie	Sales of plastic bottles and lids by Main Success	138	51	82
2	Exempted continuing connected transaction	Penghui	Procurement of ancillary and management services at our Production Base by Wancheng Plastic	2,000	2,103	2,352
3	Non-exempted continuing connected transaction	a) Kwong Fai	a) Rental of Hong Kong office by Main Success	a) 600	a) 600	600
		b) Penghui	b) Rental of Production Base by Wancheng Plastic	b) 2,347	b) 2,415	2,383
		c) Penghui	c) Rental of Production Base by Anyu Baby	c) 242	c) 221	218
4	Non-exempted continuing connected transaction	a) Tat Fung Industrial b) Humen Dafeng	Purchase of printing and packaging materials by our Group	29,111	26,982	18,328

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

The following transactions are entered into in the ordinary and usual course of our business and on normal commercial terms where each of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors currently expect, not exceed 5% and the total consideration will be less than HK$3,000,000 on an annual basis.

1. Sales to San Yie — Master Purchase Agreement

Parties: San Yie

Main Success

Principal terms:

During the Track Record Period, Main Success has sold products such as plastic bottles and lids to San Yie. For each of the years ended 31 December 2015, 2016 and 2017, the transactions between Main Success and San Yie in relation to the sales of our products amounted to approximately HK$138,000, HK$51,000 and HK$82,000, respectively.

On 31 August 2017, Main Success and San Yie entered into a master purchase agreement (the "**Master Purchase Agreement**"), pursuant to which Main Success agreed to sell and San Yie agreed to purchase plastic bottles and lids, which are processed, fabricated or manufactured by Main Success in accordance with the specifications provided by San Yie at the purchase price pursuant to such purchase order as may from time to time given by San Yie.

The purchase price shall be taken as having included (i) the cost of the raw materials procured by our Group; and (ii) the fees for the processing, fabricating or manufacturing of the plastic bottles and lids in accordance with the specifications provided by San Yie. The purchase price shall be determined after arm's length negotiation between San Yie and our Group from time to time with reference to the then prevailing market price of similar product in the market and that in any event shall be no less favourable than that offered to independent third parties.

The term of the Master Purchase Agreement commenced on the [REDACTED] and will expire three years thereafter.

Our Directors consider that the transactions were arrived at after arm's length negotiation and that the terms of the transactions were fair and reasonable and in the interest of our Company and our Shareholders as a whole. Our Directors expect that we will continue the sales of products to San Yie but currently estimate that the annual total consideration of the transactions will come within the de minimis exemption under Rule 14A.76 of the Listing Rules and therefore such continuing connected transaction is fully exempt from shareholders'

approval, annual review and all disclosure requirements. Should the amount of sales to San Yie exceed the relevant threshold, our Company will comply with the Listing Rules where applicable.

Annual caps and basis of caps:

The Master Purchase Agreement will continue after the [REDACTED]. It is proposed that the annual caps for the amount under the Master Purchase Agreement will be HK$150,000, HK$150,000 and HK$150,000 respectively, for each of the years ending 31 December 2018, 2019 and 2020. The annual caps were arrived at with reference to the historical transaction amounts between Main Success and San Yie.

2. Procurement of services from Penghui — Ancillary and Management Services Agreement

Parties: (i) Penghui

(ii) Wancheng Plastic

Principal terms:

During the Track Record Period, Penghui has provided to our Group ancillary and management services at our Production Base. For each of the years ended 31 December 2015, 2016 and 2017, the management fees paid by our Group to Penghui amounted to approximately HK$2,000,000, HK$2,103,000 and HK$2,352,000, respectively.

On 1 May 2017, Wancheng Plastic and Penghui entered into an ancillary and management services agreement (the "**Ancillary and Management Services Agreement**") replacing the previous agreement, pursuant to which Penghui agreed to provide management, security, utilities supply and maintenance services at our Production Base at the consideration of RMB170,000 per month. The term of the Ancillary and Management Services Agreement commenced on 1 May 2017 and will expire in three years on 30 April 2020.

Our Directors confirmed that the monthly management fee of RMB170,000 was determined after arm length's negotiations between the parties with reference to the fees charged by independent third party provider of similar services. Our Directors consider that the terms of the Ancillary and Management Services Agreement were fair and reasonable and in the interest of our Company and our Shareholder as a whole.

The total annual management fees of RMB2,040,000 payable by our Group under the Ancillary and Management Services Agreement will come within the de minimis exemption under Rule 14A.76 of the Listing Rules and therefore such continuing connected transaction is fully exempted from shareholders' approval, annual review and all disclosure requirements. Should the amount of annual management fees payable exceed the annual caps, our Company will comply with the Listing Rules where applicable.

Annual caps and basis of caps:

The Ancillary and Management Services Agreement will continue after the [REDACTED]. It is proposed that the annual caps for the management fees payable under the Ancillary and Management Services Agreement will be RMB2,040,000 (equivalent to approximately HK$2,519,000), RMB2,040,000 (equivalent to approximately HK$2,519,000) and RMB2,040,000 (equivalent to approximately HK$2,519,000) respectively, for each of the years ending 31 December 2018, 2019 and 2020, respectively. The annual caps were arrived at with reference to the actual management fees payable under the Ancillary and Management Services Agreement.

NON-EXEMPTED CONTINUING CONNECTED TRANSACTION

1. Lease Agreements

(A) ***Hong Kong Lease Agreement***

Parties: (i) Kwong Fai

(ii) Main Success

Principal terms:

On 1 June 2017, Main Success entered into a tenancy agreement (the "**Hong Kong Lease Agreement**") with Kwong Fai, pursuant to which Kwong Fai as landlord agreed to lease to Main Success as tenant the premises situated at Room 907, 9/F, Enterprise Square Tower 1, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong (the "**Hong Kong Premises**") for use as our office in Hong Kong for a term of three years (with an option to renew for a further term of three years by Main Success) commencing from 1 June 2017 to 31 May 2020 at an agreed monthly rent of HK$50,000 (excluding government rates and management fees).

The Hong Kong Lease Agreement is of a duration longer than three years as otherwise permitted for the connected transactions under the Listing Rules. Our Directors consider and the Sponsor concurs that the duration of the Hong Kong Lease Agreement being longer than three years can secure long-term property use rights for our Group, thus avoiding unnecessary disruptions to its business caused by relocation.

Our Directors confirmed that the monthly rent of HK$50,000 was determined after arm length's negotiations between the parties with reference to the then prevailing market conditions and the rental rate of similar properties in the vicinity. In this connection, we have engaged Cushman & Wakefield Limited, an independent property valuer, to assess the fairness of the rent and the terms of the Hong Kong Lease Agreement. Cushman & Wakefield Limited is of the opinion that the terms of the Hong Kong Lease Agreement

(including the rental and duration) are fair and reasonable and the rents payable thereunder reflect the prevailing market rate as at the date of commencement of the Hong Kong Lease Agreement.

Historical amounts:

Our Group as the tenant inadvertently entered into a tenancy agreement on 1 January 2014 in respect of the Hong Kong Premises with Sharp Success, which was then assumed by our Group as the landlord. Pursuant to a confirmation deed between Sharp Success, Kwong Fai and Main Success entered into on 1 June 2017, it is confirmed and agreed among each of them that Kwong Fai shall be entitled to the rents paid to Sharp Success and Sharp Success undertakes to return all rents received in respect of the Hong Kong Premises to Kwong Fai. Sharp Success and Main Success entered into a termination agreement relating to the tenancy agreement on 1 June 2017.

Our rental expenses (excluding government rates, utilities, management fees and other outgoings) in relation to the leasing of the Hong Kong Premises for each of the years ended 31 December 2015, 2016 and 2017 were HK$600,000, HK$600,000 and HK$600,000, respectively.

Annual caps and basis of caps:

The Hong Kong Lease Agreement will continue after the [REDACTED]. It is proposed that the annual caps for the rents payable under the Hong Kong Lease Agreement will be HK$600,000, HK$600,000 and HK$600,000, respectively, for each of the years ending 31 December 2018, 2019 and 2020. The annual caps were arrived at with reference to the rents payable under the Hong Kong Lease Agreement.

(B) ***PRC Lease A***

Parties: (i) Penghui

(ii) Wancheng Plastic

Principal terms:

On 1 April 2017, Penghui as lessor and Wancheng Plastic as lessee entered into a lease agreement (the "**PRC Lease Agreement A**") for the leasing of part of our Production Base with actual gross floor area of 34,450.51 sq.m. for a term of five years commencing from 1 April 2017 to 31 March 2022. On 6 March 2018, Penghui and Wancheng Plastic entered into a supplemental agreement (the "**PRC Supplemental Lease Agreement A**", together with PRC Lease Agreement A, the "**PRC Lease A**"). In respect of the PRC Lease A, the parties agreed to fix the monthly rent at RMB172,252.55 for the period between 1 April 2017 and 31 December 2020 and, for the period between 1 January 2021 and 31 March 2022, the monthly rent shall be

calculated in accordance with the then prevailing market rate and confirmed in writing. If Penghui terminates the PRC Lease A before the expiration of the term for reasons other than Wancheng Plastic's breach or force majeure, Penghui will have to compensate Wancheng Plastic for all its economic losses suffered. The Production Base has been used mainly as the production facilities of our Group.

The PRC Lease A is of a duration longer than three years as otherwise permitted for the connected transactions under the Listing Rules. Our Directors consider and the Sponsor concurs that the duration of the PRC Lease A being longer than three years can secure long-term property use rights for our Group, thus avoiding unnecessary disruptions to its business caused by relocation and enabling our Group to ensure long-term development and continuity of the operations. Such arrangement is in the commercial interest of our Company as it also enables our Group to save initial set-up costs such as interior decoration and lease renewal expenses in the case of short-term leases.

Our Directors confirmed that the monthly fixed rent of RMB172,252.55 (or the monthly rent of RMB5 per sq.m.) for the period commencing from 1 April 2017 to 31 December 2020 was determined after arm length's negotiations between the parties with reference to the then prevailing market conditions and the rental rate of similar properties in the vicinity. Our Directors consider it beneficial to have a fixed rent for the leasing of our Production Base in order to provide certainty and stability for our Group in view of possible inflation in the PRC. In this connection, we have engaged Cushman & Wakefield Limited, an independent property valuer, to assess the fairness of the rent and the terms of the PRC Lease A. Cushman & Wakefield Limited is of the opinion that the terms of the PRC Lease A (including the rental and duration) are fair and reasonable and the rents payable thereunder reflect the prevailing market rate as at the date of commencement of the PRC Lease Agreement A.

Historical amounts:

The aggregate amounts paid by Wancheng Plastic to Penghui for the rental of the Production Base for each of the years ended 31 December 2015, 2016 and 2017 were approximately HK$2,347,000, HK$2,415,000 and HK$2,383,000, respectively.

Annual caps and basis of caps:

The PRC Lease A will continue after [REDACTED]. It is proposed that the annual caps for the rents payable under the PRC Lease A will be approximately RMB2,068,000 (equivalent to approximately HK$2,553,000), RMB2,068,000 (equivalent to approximately HK$2,553,000) and RMB2,068,000 (equivalent to approximately HK$2,553,000), respectively, for each of the years ending 31 December 2018, 2019 and 2020. The annual caps were arrived at with reference to the rents payable by Wancheng Plastic under the PRC Lease A.

(C) ***PRC Lease B***

Parties: (i) Penghui

(ii) Anyu Baby

Principal terms:

On 1 April 2017, Penghui as lessor and Anyu Baby as lessee entered into a lease agreement (the "**PRC Lease Agreement B**") for the leasing of part of the Production Base with a total of 3,149.79 sq.m. for a term of five years commencing from 1 April 2017 to 31 March 2022. On 6 March 2018, Penghui and Anyu Baby entered into a supplemental agreement (the "**PRC Supplemental Lease Agreement B**", together with PRC Lease Agreement B, the "**PRC Lease B**"). In respect of the PRC Lease B, the parties agreed to fix the monthly rent at RMB15,748.95 for the period between 1 April 2017 and 31 December 2020 and, for the period between 1 January 2021 and 31 March 2022, the monthly rent shall be calculated in accordance with the then prevailing market rate and confirmed in writing. If Penghui terminates the PRC Lease B before the expiration of the term for reasons other than Anyu Baby's breach or force majeure, Penghui will have to compensate Anyu Baby for all its economic losses suffered.

The PRC Lease B is of a duration longer than three years as otherwise permitted for the connected transactions under the Listing Rules. Our Directors consider and the Sponsor concurs that the duration of the PRC Lease B being longer than three years can secure long-term property use rights for our Group, thus avoiding unnecessary disruptions to its business caused by relocation and enabling our Group to ensure long-term development and continuity of the operations. Such arrangement is in the commercial interest of our Company as it also enables our Group to save initial set-up costs such as interior decoration and lease renewal expenses in the case of short-term leases.

Our Directors confirmed that the monthly fixed rent of RMB15,748.95 (or the monthly rent of RMB5 per sq.m.) for the period commencing from 1 April 2017 to 31 December 2020 was determined after arm length's negotiations between the parties with reference to the then prevailing market conditions and the rental rate of similar properties in the vicinity. Our Directors consider it beneficial to have a fixed rent for the leasing of our Production Base in order to provide certainty and stability for our Group in view of possible inflation in the PRC. In this connection, we have engaged Cushman & Wakefield Limited, an independent property valuer, to assess the fairness of the rent and the terms of the PRC Lease B. Cushman & Wakefield Limited is of the opinion that the terms of the PRC Lease B (including the rental and duration) are fair and reasonable and the rents payable thereunder reflect the prevailing market rate as at the date of commencement of the PRC Lease Agreement B.

Historical amounts:

The aggregate amounts charged from Penghui to Anyu Baby for the rental of our Production Base for each of the years ended 31 December 2015, 2016 and 2017 were approximately HK$242,000, HK$221,000 and HK$218,000, respectively.

Annual caps and basis of caps:

The PRC Lease B will continue after [REDACTED]. It is proposed that the annual caps for the rents payable under the PRC Lease B will be approximately RMB189,000 (equivalent to approximately HK$233,000), RMB189,000 (equivalent to approximately HK$233,000) and RMB189,000 (equivalent to approximately HK$233,000), respectively, for each of the years ending 31 December 2018, 2019 and 2020. The annual caps were arrived with reference to the rents payable by Anyu Baby under the PRC Lease B.

Implications under the Listing Rules

Based on the aggregate amount of the annual rents payable by our Group under the Hong Kong Lease Agreement, PRC Lease A and PRC Lease B (collectively referred to as the "**Lease Agreements**"), each of the applicable percentage ratios for the Lease Agreements is expected to be less than 5%, the transactions will be subject to the reporting, announcement and annual review requirements but is exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Master Supply Agreement

Parties: (i) Tat Fung Industrial

(ii) Our Company

Principal terms:

On 31 August 2017, our Company entered into the Master Supply Agreement with Tat Fung Industrial, pursuant to which Tat Fung Industrial (or through entities controlled by it) agreed to supply and our Group agreed to purchase printing and packaging materials, which are processed, fabricated or manufactured by Tat Fung Industrial in accordance with the specifications provided by our Group at the purchase price pursuant to such purchase order as may from time to time be given by our Group.

The purchase price for each individual purchase order shall be taken as having included (i) the cost of the raw materials procured by Tat Fung Industrial; and (ii) the fees for the processing, fabricating or manufacturing of the printing and packaging materials in accordance with the specifications provided by our Group. The purchase price for each individual purchase order shall be determined after arm's length negotiation between Tat Fung Industrial and our Group from time to time with reference to the then prevailing market price of similar

product in the market which is to be ascertained by, among others, our internal control measure of reviewing at least two price quotations for comparable products provided by independent third parties to our Group within one month in order to ensure the principal terms of the transactions under the Master Supply Agreement are no less favourable to our Group as compared with the terms offered by the independent third parties. The transactions under the Master Supply Agreement will be reviewed by the auditors and our independent non-executive Directors in accordance with Chapter 14A of the Listing Rules on an annual basis.

The term of the Master Supply Agreement shall commence from the date of the [REDACTED] and will expire three years thereafter.

Tat Fung Industrial and Humen Dafeng have been supplying printing and packaging materials to our Group since 2009. Taking into account (i) Tat Fung Industrial is capable of providing a variety of printing and packaging materials required by our Group; (ii) the production and delivery lead time of Tat Fung Industrial is able to meet our requirement; (iii) the quality of the printing and packaging materials supplied by Tat Fung Industrial has been stable; (iv) the prices offered by Tat Fung Industrial were competitive; and (v) the nine years' business relationship between Tat Fung Industrial and our Group, our Directors consider that entering into the Master Supply Agreement with Tat Fung Industrial would allow our Group to maintain a stable supply of printing and packaging materials for our business. Further, our Directors are of the opinion that the terms of the Master Supply Agreement are fair and reasonable, on normal commercial terms and in the interest of our Group and the Shareholders as a whole.

Historical amounts:

During the Track Record Period, each of Main Success and Anyu Baby has purchased printing and packaging materials from Tat Fung Industrial and Humen Dafeng. There was no long term agreement between our Group and Tat Fung Industrial or Humen Dafeng. For each of the years ended 31 December 2015, 2016 and 2017, the aggregate purchases made by our Group from Tat Fung Industrial and Humen Dafeng amounted to approximately HK$29.1 million, HK$27.0 million and HK$18.3 million, respectively. Our Directors consider that the transactions were arrived at after arm's length negotiation and that the terms of the transactions were fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Annual caps and basis of caps:

Our Directors estimate that the annual amount payable by our Group to Tat Fung Industrial and entities controlled by it under the Master Supply Agreement for each of the years ending 31 December 2018, 2019 and 2020 will not exceed HK$20.2 million, HK$22.2 million and HK$24.4 million, respectively. The annual caps for each of the years ending 31 December 2018 and 2019 and 2020 are estimated based on the historical actual transaction amount for the year ended 31 December 2017 of approximately HK$18.3 million and an assumed annual growth rate of 10%. The aforesaid assumed annual growth has taken into

account (i) the general industry growth, particularly the value sales of plastic shaker bottles in the US is expected to increase at a CAGR of approximately 9.6% from 2017 to 2022 and the total retail value sales of plastic bottles, cups and tableware for infants and toddlers market in the PRC is expected to grow at a CAGR of approximately 7.5% from 2017 to 2022 as mentioned in the "Industry overview" section in this document; (ii) a general inflation rate of approximately 3%; and (iii) our efforts to expand our business, particularly after the [REDACTED] by the utilisation of our net [REDACTED] from the [REDACTED].

Implications under the Listing Rules

The relevant applicable percentage ratios (other than the profit ratio) with respect to the transactions contemplated under the Master Supply Agreement for each of the years ending 31 December 2018, 2019 and 2020 are expected to exceed 5% on an annual basis and the aggregate annual consideration is expected to be more than HK$10 million. Therefore the transactions under the Master Supply Agreement are subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

WAIVER APPLICATION FOR NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Lease Agreements

As the continuing connected transactions under the Lease Agreements are expected to continue on a recurring basis and have been fully disclosed in this document, our Directors consider that it would be unduly burdensome and impracticable, and would add to the administrative costs to our Company if these transactions are subject to strict compliance with the announcement and reporting requirements set out under Chapter 14A of the Listing Rule.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, being exempted from strict compliance with the relevant announcement and reporting requirements during the subsistence of each of the Lease Agreements pursuant to Rule 14A.105 of the Listing Rules, subject to the following conditions:

(i) the respective annual caps for the continuing connected transactions under the Lease Agreements as stated above will not be exceeded;

(ii) if any of the material terms of such continuing connected transactions are altered and/or if our Group enters into any new continuing connected transaction with Kwong Fai and/or Penghui in the future resulting in the aggregate annual amount paid or payable by our Group to Kwong Fai and/or Penghui during the subsistence of the Lease Agreements exceeds the proposed annual caps as stated above, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules;

(iii) upon expiry of the waiver granted to the Lease Agreements, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules; and

(iv) in the event of any further amendments to the Listing Rules which impose more stringent requirements than those as of the date of this submission on the continuing connected transaction, our Company will take appropriate steps to ensure compliance with such requirement within a reasonable time.

Master Supply Agreement

As the continuing connected transactions under the Master Supply Agreement are expected to continue on a recurring basis and have been fully disclosed in this document, our Directors consider that it would be unduly burdensome and impracticable, and would add to the administrative costs to our Company if these transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the requirement for publishing an announcement and obtaining approval of the independent Shareholders.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a wavier to us under Rule 14A.105 of the Listing Rules from strict compliance with the relevant announcement and independent shareholders' approval requirements for each of the years ending 31 December 2018, 2019 and 2020, subject to the following conditions:

(i) the annual caps for the continuing connected transactions under the Master Supply Agreement for each of the years ending 31 December 2018, 2019 and 2020 as stated above will not be exceeded;

(ii) if any of the material terms of such continuing connected transactions are altered and/or if our Group enters into any new continuing connected transaction with Tat Fung Industrial and/or entities controlled by it in the future resulting in the aggregate annual amount paid or payable by our Group to Tat Fung Industrial and/or entities controlled by it in any of the years ending 31 December 2018, 2019 and 2020 exceeding the proposed annual caps set out above, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules;

(iii) upon expiry of the waiver granted for the period ending 31 December 2020 for the Master Supply Agreement, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules; and

(iv) in the event of any further amendments to the Listing Rules which impose more stringent requirements than those as of the date of this submission on the continuing connected transaction, our Company will take appropriate steps to ensure compliance with such requirement within a reasonable time.

DIRECTORS' VIEW

Our Directors, including the independent non-executive Directors, are of the view that the continuing connected transactions described in this section, which will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. Our Directors, including the independent non-executive Directors, are of the view that the proposed annual caps for the non-exempted continuing connected transaction described in this section are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

In respect of the Lease Agreements, having considered (i) the proposed use of the premises under each of the Lease Agreements; (ii) that the operation of our Group is expected to be longer than three years; (iii) that long-term nature of the Lease Agreements will prevent the occurrence of relocation costs and any unnecessary initial investment costs; and (iv) that lease agreements of short duration may give rise to uncertainties on the stability of production and be disadvantageous to our Group from commercial perspective, our Directors confirm that the duration of each of the Lease Agreements, which is longer than three years, is required and it is normal business practice for the Lease Agreements to be of such duration as this would minimise the risk of potential disruption to our Group's business operations.

In respect of the Master Supply Agreement, taking into account that (i) Tat Fung Industrial is capable of providing a variety of printing and packaging materials required by our Group; (ii) the production and delivery lead time of Tat Fung Industrial is able to meet our requirements; (iii) the quality of the printing and packaging materials supplied by Tat Fung Industrial has been stable; (iv) the prices offered by Tat Fung Industrial were competitive; and (v) Tat Fung Industrial and Humen Dafeng have been supplying printing and packaging materials to our Group since 2009, our Directors consider that it is in the interest of our Group to continue with the connected transactions upon [REDACTED].

CONFIRMATION FROM THE SPONSOR

The Sponsor is of the view that (i) the non-exempted continuing connected transactions as described in this section will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better, are fair and reasonable and in the interests of our Company and the Shareholders as a whole; (ii) the proposed annual caps for these transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and (iii) it is normal business practice for each of the Lease Agreements to be of a term longer than three years.

DIRECTORS

Our Board currently consists of seven Directors comprising four executive Directors and three independent non-executive Directors. The following table sets out the information regarding the members of our Board:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. Chung Kwok Keung Peter (鍾國強)	64	1 August 2012	9 March 2017	Executive Director and Chief Executive Officer	Directing the overall management and strategic planning and supervision of operations of our Group	— Father of Mr. Leonard Chung — Cousin-in-law of Mr. Chau — Uncle of Mr. Chau Wai
Mr. Chau Ching (周青)	64	19 March 2007	9 March 2017	Executive Director and Chairman of the Board	Overseeing and implementing our Group's strategy and managing the OEM operation	— Father of Mr. Chau Wai — Cousin-in-law of Mr. Chung — Uncle of Mr. Leonard Chung
Mr. Chung Leonard Shing Chun (鍾丞晉)	30	31 October 2016	9 March 2017	Executive Director	Managing the corporate development and investor relations functions of our Group	— Son of Mr. Chung — Nephew of Mr. Chau — Cousin of Mr. Chau Wai
Mr. Chau Wai (周瑋)	30	1 September 2009	9 March 2017	Executive Director	Formulating development strategies, overseeing administration, sales and marketing functions of our "Yo Yo Monkey (優優馬騮)" brand	— Son of Mr. Chau — Nephew of Mr. Chung — Cousin of Mr. Leonard Chung
Mr. Yu Hon To David (俞漢度)	70	15 May 2018	15 May 2018	Independent non-executive Director	Providing independent judgment on our Group's strategy, performance, resources and standard of conduct	Nil
Mr. Seto John Gin Chung (司徒振中)	69	15 May 2018	15 May 2018	Independent non-executive Director	Providing independent judgment on our Group's strategy, performance, resources and standard of conduct	Nil
Mr. Asvaintra Bhanusak (馬清源)	73	15 May 2018	15 May 2018	Independent non-executive Director	Providing independent judgment on our Group's strategy, performance, resources and standard of conduct	Nil

Executive Directors

Mr. Chung Kwok Keung Peter (鍾國強), aged 64, was appointed as our Director on 9 March 2017 and re-designated as our executive Director on 31 August 2017 and is the chief executive officer of our Group. He is primarily responsible for directing the overall management and strategic planning and supervision of operations of our Group. He is also a director of Main Success and On Gain. Mr. Chung is one of our Controlling Shareholders. Mr. Chung is the father of Mr. Leonard Chung, the cousin-in-law of Mr. Chau and uncle of Mr. Chau Wai.

Mr. Chung has accumulated more than 28 years of experience in the manufacturing industry. He co-founded Racing Champions Limited, which focused on manufacturing die-cast race car miniatures under the National Association for Stock Car Auto Racing (NASCAR) brand license, in 1989 and served as a director. Racing Champions Limited sold its business assets to Banerjan Company Limited (now known as TOMY (Hong Kong) Limited, a major customer of our Group), which was then wholly-owned by Racing Champions Corporation, in 1996. Racing Champions Corporation was renamed as RC2 Corporation in 2003 the shares of which were listed on the Nasdaq Global Select Market and was acquired by Tomy Company, Ltd in 2011. Mr. Chung served as a director of Racing Champions Corporation from 1996 to 2008. He joined Baird Capital and worked as an operating partner from 2003 to 2014. He was also the chairman of Baird Asia Limited from 2004 to 2010. During the time, he was also instrumental in starting and overseeing Baird's regional office in Hong Kong and Shanghai.

He also served as an independent non-executive director of New Wisdom Holding Company Limited (formerly known as Epicurean and Company, Limited) (stock code: 8213), a company listed on GEM for the period from 18 February 2010 to 8 November 2016.

Mr. Chung was a director of the companies below, which were dissolved as these companies ceased to carry on business. As confirmed by Mr. Chung, there was no wrongful act on his part leading to the dissolutions and winding-up of the companies, each of these companies was solvent at the time when they were dissolved and so far as he was aware, the dissolutions of these companies have not resulted in any liability or obligation being imposed against him.

Name of company	Place of incorporation	Nature of business immediately prior to dissolution	Date of dissolution
Baird Asia Advisors Limited *(Note 1)*	Hong Kong	Ceased business	2 April 2015
Baird Capital Partners Asia Advisors I (HK) Limited *(Note 1)*	Hong Kong	Ceased business	6 February 2015
Double Delight Investment Company Limited *(Note 3)*	Hong Kong	Ceased business	10 December 2008
ERTL (Hong Kong) Limited *(Note 2)*	Hong Kong	Ceased business	2 August 2001
Fixtop Asia Limited *(Note 3)*	Hong Kong	Ceased business	4 July 2008

Name of company	Place of incorporation	Nature of business immediately prior to dissolution	Date of dissolution
Jaland Limited *(Note 3)*	Hong Kong	Ceased business	3 June 2005
Landyield Asia Limited *(Note 3)*	Hong Kong	Ceased business	13 March 2009
LCI (H.K.) Limited *(Note 3)*	Hong Kong	Ceased business	29 April 2005
Polystrong Industrial Company Limited *(Note 4)*	Hong Kong	Ceased business	17 August 2001
Sea Eagle Company Limited *(Note 4)*	Hong Kong	Ceased business	6 September 2002
Wide Full Development Limited *(Note 3)*	Hong Kong	Ceased business	9 January 2009
Vista Investment Limited *(Note 3)*	Hong Kong	Ceased business	30 May 2003

Notes:

1. These companies were deregistered pursuant to an application under section 750 of the Companies Ordinance. Under section 750 of the Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has not commenced operation or business, or has not been in operation or carried on business during the three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's asset do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situated in Hong Kong.

2. This company was dissolved by way of members' voluntary winding up.

3. These companies were deregistered under section 291AA of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong). Under section 291AA of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong), an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

4. These companies were struck off under section 291 of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong). Under section 291 of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong), the registrar of companies can strike off a company when it has reasonable cause to believe that it is not carrying on business or in operation.

Save as disclosed above and the section headed "Substantial Shareholders" in this document, as at the Latest Practicable Date, Mr. Chung (i) had no interests in Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of

our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Chau Ching (周青), aged 64, was appointed as our Director on 9 March 2017 and re-designated as our executive Director on 31 August 2017 and is the Chairman of the Board and the founder of our Group. He is responsible for overseeing and implementing our Group's strategy and managing the OEM operation. In 2007, Mr. Chau founded Main Success and had since served as its director till now. Mr. Chau is one of our Controlling Shareholders. Mr. Chau is the father of Mr. Chau Wai, the cousin-in-law of Mr. Chung and uncle of Mr. Leonard Chung.

Mr. Chau has more than 20 years of experience in the manufacturing industry, Mr. Chau founded Sharp Success in 1995 which was principally engaged in toy manufacturing business. Sharp Success exited from toy manufacturing business and in 2011 became a property holding company.

Mr. Chau was a director of the companies below, which were dissolved as these companies ceased to carry on business. As confirmed by Mr. Chau, there was no wrongful act on his part leading to the dissolutions and winding-up of the companies, each of these companies was solvent at the time when they were dissolved and so far as he was aware, the dissolutions of these companies have not resulted in any liability or obligation being imposed against him.

Name of company	Place of incorporation	Nature of business immediately prior to dissolution	Date of dissolution
Earn Talent Limited *(Note 1)*	Hong Kong	Ceased business	21 August 2009
Remax Industries Limited *(Note 1)*	Hong Kong	Ceased business	20 July 2001
Wengyuanxian Quanlin Wooden Products Company Limited* (翁源縣泉林木制品有限公司)	PRC	Ceased business	15 January 2014

Note:

1. These companies were deregistered under section 291AA of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong). Under section 291AA of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong), an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Save as disclosed above and the section headed "Substantial Shareholders" in this document, as at the Latest Practicable Date, Mr. Chau (i) had no interests in Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of our

Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Chung Leonard Shing Chun (鍾丞晉), aged 30, was appointed as our Director on 9 March 2017 and re-designated as our executive Director on 31 August 2017. Mr. Leonard Chung is responsible for managing the corporate development and investor relations functions of our Group. He is the director of strategy and development of Main Success. Mr. Leonard Chung is the son of Mr. Chung, nephew of Mr. Chau and cousin of Mr. Chau Wai.

Prior to joining our Group in 2016, Mr. Leonard Chung worked in Baird Asia Limited as a financial analyst from 2010 to 2012. He has held positions until present as the director of investments in Racing Champions Limited (a company wholly owned by Mr. Chung and his spouse) since 2012, and the managing partner in Enclave Audio Limited since 2014. He obtained a bachelor's degree of science in business administration from the Washington University in St. Louis in 2009.

Mr. Leonard Chung was a director of the company below, which was dissolved as the company ceased to carry on business. As confirmed by Mr. Leonard Chung, there was no wrongful act on his part leading to the dissolution and winding-up of the companies, the company was solvent at the time when it was dissolved and so far as he was aware, the dissolution of the company has not resulted in any liability or obligation being imposed against him.

Name of company	Place of incorporation	Nature of business immediately prior to dissolution	Date of dissolution
Good Field Management Limited *(Note 1)*	Hong Kong	Ceased business	25 October 2013

Note:

1. This company was deregistered under section 291AA of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong). Under section 291AA of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong), an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Save as disclosed above as at the Latest Practicable Date, Mr. Leonard Chung (i) had no interests in Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Chau Wai (周瑋), aged 30, was appointed as our Director on 9 March 2017 and re-designated as our executive Director on 31 August 2017. He is responsible for formulating development strategies, overseeing the administration, sales and marketing functions of our "Yo Yo Monkey (優優馬騮)" brand. Mr. Chau Wai is the son of Mr. Chau, nephew of Mr. Chung and cousin of Mr. Leonard Chung.

Since Mr. Chau Wai joined our Group, he has worked as the manager of sales and marketing in Main Success in which he was responsible for expanding the customer base and advertising functions of our Group from 2009 to 2012. He then worked as the director of sales and marketing in Main Success and the general manager of Anyu Baby from 2012 until now. As a general manager in Anyu Baby, he is primarily responsible for the operation management, administration and sales of the business. He obtained a bachelor's degree of science in hotel administration from the University of Nevada in 2008 prior to joining our Group.

Save as disclosed above, as at the Latest Practicable Date, Mr. Chau Wai (i) had no interests in Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Independent non-executive Directors

Mr. Yu Hon To David (俞漢度) ("Mr. Yu"), aged 70, was appointed as our independent non-executive Director on 15 May 2018. Mr. Yu currently serves as an independent non-executive director of several companies listed on the Stock Exchange including:

- China Renewable Energy Investment Limited (stock code: 987)
- China Resources Gas Group Limited (stock code: 1193)
- Haier Electronics Group Co., Ltd. (stock code: 1169)
- Keck Seng Investments (Hong Kong) Limited (stock code: 184)
- Media Chinese International Limited (stock code: 685)
- One Media Group Limited (stock code: 426)
- Playmates Holdings Limited (stock code: 635)
- New Century Asset Management Limited, the manager of New Century Real Estate Investment Trust (stock code: 1275)

Over the past three years, Mr. Yu has also served as an independent non-executive director of Synergis Holdings Limited (stock code: 2340) from 27 September 2008 to 1 January 2018, Bracell Limited (stock code: 1768) from 1 October 2010 to 24 October 2016 and Great China Holdings Limited (stock code: 141) from 7 January 1999 to 13 July 2016.

Mr. Yu obtained a bachelor's degree in social science from The Chinese University of Hong Kong in 1971. He was a partner of an international accounting firm. He has over 40 years of experience in the fields of corporate finance, auditing and corporate management. Mr. Yu is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants.

Taking into account his experience in acting as an independent non-executive director of a number of listed companies and the time he requires to devote to each of these companies in order to fulfill his duties and responsibilities, Mr. Yu has confirmed that he will be able to allocate sufficient time to discharge his duties and responsibilities as an independent non-executive Director of our Group.

Mr. Yu was a director of the companies below, which were dissolved as these companies ceased to carry on business. As confirmed by Mr. Yu, there was no wrongful act on his part leading to the dissolutions and winding-up of the companies, each of these companies was solvent at the time when they were dissolved and so far as he was aware, the dissolutions of these companies have not resulted in any liability or obligation being imposed against him.

Name of company	Place of incorporation	Nature of business immediately prior to dissolution	Date of dissolution
C&L International Food Services Limited *(Note 1)*	Hong Kong	Ceased business	30 May 2003
Hong Kong Financial Services Association Limited *(Note 2)*	Hong Kong	Ceased business	22 December 2017
Jebson Investment Limited *(Note 3)*	Hong Kong	Ceased business	27 November 2009
Marenford Land Investment Limited *(Note 3)*	Hong Kong	Ceased business	20 July 2007
Mondsa Pacific Limited *(Note 3)*	Hong Kong	Ceased business	20 July 2007

Notes:

1. This company was struck off under section 291 of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong. Under section 291 of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong, the registrar of companies can strike off a company when it has reasonable cause to believe that it is not carrying on business or in operation.

2. This company was deregistered pursuant to an application under section 750 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), an application for deregistration must not be made unless, at the time of the application: (a) all the members of the company agree to such deregistration; (b) the company has not commenced operation or business, or has not been in operation or carried on business during the three months immediately before the application; (c) the company has no outstanding liabilities; (d) the company is not a party to any legal proceedings; (e) the company's assets do not consist of any immovable property situate in Hong Kong; and (f) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

3. These companies were deregistered under section 291AA of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong). Under section 291AA of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong), an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Save as disclosed above as at the Latest Practicable Date, Mr. Yu (i) had no interests in Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of our Company, substantial Shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Seto John Gin Chung (司徒振中) ("Mr. Seto"), aged 69, was appointed as our independent non-executive Director on 15 May 2018. Mr. Seto obtained a master's degree in business administration from the New York University in 1973.

Mr. Seto currently serves as an independent non-executive director of several companies listed on the Main Board including:

- Kowloon Development Company Limited (stock code: 0034)
- China Everbright Limited (stock code: 0165)
- Hop Hing Group Holdings Limited (stock code: 0047)

Mr. Seto is also the chairman of the Board of Hop Hing Group Holdings Limited and an executive director of Pacific Eagle Asset Management Limited.

Mr. Seto has over 40 years of experience in the securities and futures industry which includes his services as the chief executive officer in HSBC Broking Services (Asia) Limited, a non-executive director of Hong Kong Exchanges and Clearing Limited, a council member of the Stock Exchange and the first vice chairman of the Stock Exchange.

Save as disclosed above as at the Latest Practicable Date, Mr. Seto (i) had no interests in Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of our Company, substantial Shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Asvaintra Bhanusak (馬清源) ("Mr. Asvaintra"), aged 73, was appointed as our independent non-executive Director on 15 May 2018. He is currently an independent non-executive director of Dickson Concepts (International) Limited (stock code: 113), whose shares are listed on the Main Board of the Stock Exchange. For the period from 18 February 2010 to 8 November 2016, Mr. Asvaintra served as an independent non-executive director of New Wisdom Holding Company Limited (formerly known as Epicurean and Company, Limited) (stock code: 8213), a company listed on GEM.

Mr. Asvaintra held various senior executive positions in the banking industry with the Chase Manhattan Bank group in New York, Hong Kong and Singapore in the 1970s. In 1980, Mr. Asvaintra joined the Charoen Pokphand group of companies and retired as the chief executive officer in 1998.

Mr. Asvaintra received his bachelor's degree in science from the Wharton Business School, University of Pennsylvania in May 1968 and a master's degree in business administration from the University of Chicago in June 1970.

Mr. Asvaintra was a director of the company below, which was dissolved as the company ceased to carry on business. As confirmed by Mr. Asvaintra, there was no wrongful act on his part leading to the dissolution and winding-up of the companies, the company was solvent at the time when it was dissolved and so far as he was aware, the dissolution of the company has not resulted in any liability or obligation being imposed against him.

Name of company	Place of incorporation	Nature of business immediately prior to dissolution	Date of dissolution
Hugo Good Corporation Limited *(Note 1)*	Hong Kong	Ceased business	28 March 2014

Note:

1. This company was deregistered under section 291AA of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong). Under section 291AA of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong), an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Save as disclosed above as at the Latest Practicable Date, Mr. Asvaintra (i) had no interests in Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of our Company, substantial Shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

None of the courses attended by our Directors was distance learning or online course.

SENIOR MANAGEMENT

Name	Age	Position	Date of appointment as senior management	Joining our Group since	Responsibilities
Mr. Cheung Chor Yin (張楚然)	51	Chief operating officer	June 2017	August 2010	Product engineering development and supervising the sales and marketing and quality assurance functions
Mr. Ko Kam On (高錦安)	38	Chief financial officer and company secretary	January 2017	January 2017	Financial management and corporate administration

Mr. Cheung Chor Yin (張楚然) ("Mr. Cheung"), aged 51, was appointed as the Chief operating officer of our Group in June 2017. Mr. Cheung is primarily responsible for product engineering development and supervising the sales and marketing and quality assurance functions. Mr. Cheung has experience of over 20 years in the design, engineering and manufacturing business. Prior to joining us, Mr. Cheung worked as the engineering director in Sunrise Industrial Limited from 2008 to 2009. In the years between 1993 and 2007, he worked at Funrise Toy Limited. He was the vice president in research and design from 1998 to 2007, the engineer director from 1997 to 1998, the engineering manager from 1996 to 1997 and the project engineer from 1993 to 1995. Mr. Cheung obtained his higher certificate in manufacturing engineering from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1993 and his diploma in mechanical engineering in July 1988 from Kwai Chung Technical Institute (now known as Hong Kong Institute of Vocational Education (Kwai Chung)).

Mr. Ko Kam On (高錦安) ("Mr. Ko"), aged 38, was appointed as the chief financial officer and company secretary of our Group on 3 January 2017. Mr. Ko graduated from The Hong Kong Polytechnic University with a bachelor's degree in accountancy and is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He is also an associate and registered tax adviser of the Taxation Institute of Hong Kong, Registered Financial Planner and the initial HKRFP of the Society of Registered Financial Planners, Diploma in commercial fraud from the Society of Business Practitioners, Certified Merger and Acquisition Specialist from the Institute of Financial Consultants in Canada and the USA and a certified risk planner from the Institute of Crisis and Risk Management. He also obtained a master's degree in business administration from Holmes Institute in 2014.

Mr. Ko is responsible for the financial management and corporate administration of our Group. Prior to joining our Group, Mr. Ko has over 10 years of professional experience in financial management and administration. He joined C K Yau & Company as audit assistant in December 2003 and left in April 2004. In October 2004, he was employed as the accountant I in Wong Lam Leung & Kwok C.P.A. Limited, and was promoted to Accountant II in October 2005. Mr. Ko joined Carry Wealth Limited (stock code: 643), a company listed on the Stock Exchange, as an accountant in October 2006 and left in February 2008. From March 2008 to March 2009, he was the senior auditor of Carl Weinberg & Co. CPA Limited. In March 2009, he joined Lau and Au Yeung C.P.A. Limited as senior audit accountant and was promoted to the position of audit supervisor in January 2010. He was employed as the financial controller of The Asian Art and Antique Fund for the period from May 2011 to July 2012. From August 2012 to February 2015, he was the financial manager of Prosperity Materials (International) Limited, and the chief financial officer and company secretary of Steed Oriental (Holdings) Company Limited (stock code: 8277) prior to the listing of that company. Mr. Ko joined Billion Dragon International Consultants Limited as the Finance and Administration Director in March 2015 and left in August 2016.

Save for the master's degree in business administration of Mr. Ko, none of the courses attended by our senior management was distance learning or online courses.

COMPANY SECRETARY

Mr. Ko Kam On (高錦安) is the company secretary of our Company. He is also the chief financial officer of our Group. Please refer to the paragraph headed "Senior management" in this section for details of his biographical information.

BOARD COMMITTEES

Audit committee

An audit committee was established by our Company on 15 May 2018 with written terms of reference in compliance with the Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of our audit committee include the review and supervision of our Group's financial reporting system, monitoring the internal control procedures and risk management, review of our Group's financial information, review of the relationship with the external auditors of our Company, compliance with the relevant laws and regulations and performance of the corporate governance functions delegated by the Board.

The audit committee comprises all independent non-executive Directors, namely, Mr. Yu, Mr. Seto and Mr. Asvaintra. Mr. Yu is the chairman of the audit committee.

Remuneration committee

A remuneration committee was established by our Company with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules pursuant to a resolution of our Directors passed on 15 May 2018. The primary duties of our remuneration committee are to review and approve the management's remuneration proposals, make recommendations to our Board on the remuneration package of our Directors and senior management and ensure none of our Directors determines his/her own remuneration. At present, our remuneration committee comprises Mr. Yu, Mr. Seto and Mr. Asvaintra. Mr. Seto is the chairman of our remuneration committee.

Nomination committee

A nomination committee was established by our Company on 15 May 2018 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board on the appointment of Directors and the senior management of our Group. The members of the nomination committee are Mr. Chau, Mr. Yu and Mr. Seto. Mr. Chau is the chairman of the nomination committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the pension scheme on behalf of our Directors) and discretionary bonuses paid by our Group to our Directors for each of the years ended 31 December 2015, 2016 and 2017 were approximately HK$1,864,000, HK$1,849,000 and HK$2,535,000, respectively.

The aggregate amount of fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the pension scheme) and discretionary bonuses paid to the five highest paid individuals of our Group, including Directors, for each of the years ended 31 December 2015, 2016 and 2017 were approximately HK$4.4 million, HK$4.2 million and HK$4.4 million, respectively.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. In addition, none of our Directors has waived any emoluments.

Save as disclosed above, no other payments have been paid, or are payable, by our Group to our Directors during the Track Record Period.

Under the arrangements currently in force, the aggregate remuneration of our Directors paid or payable in respect of the year ending 31 December 2018 is estimated to be approximately HK$3.8 million.

Our executive Directors, independent non-executive Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme under which employees of our Group including executive Directors and other eligible participants may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in the paragraphs headed "Statutory and general information — D. Share Option Scheme" in Appendix IV to this document.

CORPORATE GOVERNANCE

Our Company will comply with the Corporate Governance Code in Appendix 14 of the Listing Rules. Our Directors will review our corporate governance policies and compliance with Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the [REDACTED].

COMPLIANCE ADVISER

We have appointed First Shanghai Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules.

Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including issuance or repurchase of Shares;

(iii) where our Company proposes to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where its business activities, developments or results deviate from any forecast, estimate, or other information in this document; and

(iv) where the Stock Exchange makes an inquiry with us regarding unusual movements in the price or trading volume of the shares of our Company.

The term of the appointment shall commence on the [REDACTED] and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the [REDACTED].

SHARE CAPITAL

Without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately after completion of the [REDACTED] will be as follows:

Authorised share capital:

3,800,000,000	Shares of HK$0.10 each	HK$380,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the [REDACTED] and the [REDACTED]:

100	Share in issue as at the Latest Practicable Date	HK$10
[REDACTED]	Shares to be issued under the [REDACTED]	HK$[REDACTED]
[REDACTED]	Shares to be issued under the [REDACTED]	HK$[REDACTED]

Total:

[REDACTED]	Shares	HK$[REDACTED]

ASSUMPTIONS

The above table was prepared under the assumption that the [REDACTED] becomes unconditional, and the issue of Shares pursuant to the [REDACTED] and the [REDACTED] are effected. No account was taken of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

At least [REDACTED] of the total number of issued Shares must at all times be held by the public. The [REDACTED] represent [REDACTED] of the issued share capital of our Company upon the [REDACTED].

RANKING

The [REDACTED] shall rank *pari passu* in all respects with all Shares now in issue or to be issued as mentioned in this document, and, in particular, shall qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of [REDACTED] other than participation in the [REDACTED].

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot and issue and deal with the unissued Shares with an aggregate nominal value of not more than:

(a) 20% of the number of Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding any Share which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme); and

(b) the number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrant of our Company, scrip dividends or similar arrangements providing for the allotment of Shares in lieu of the whole or in part of any cash dividend or option to be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted or such other issue and allotment of Shares or securities of our Company as permitted under the Listing Rules.

For further details of this general mandate, please refer to the section headed "Further information about our Company — Written resolutions of all Shareholders passed on 15 May 2018" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of the Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding any Share which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are [REDACTED] (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Further information about our Company — Repurchase of our Shares by our Company" in Appendix IV to this document.

The general mandate to issue Shares and repurchase Shares will respectively expire:

(a) at the conclusion of the next annual general meeting of our Company;

(b) at the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles to be held; or

(c) when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

For further details of these general mandates, please refer to the paragraphs headed "Further information about our Company — Written resolutions of all Shareholders passed on 15 May 2018" and "Further information about our Company — Repurchase of our shares by our Company" in Appendix IV to this document.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of its principal terms is set out in the paragraphs headed "Share Option Scheme" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of Shares, namely ordinary Shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of and any confirmation or consent required by the Companies Law, reduce our share capital, any capital redemption reserve in any manner permitted by law by our shareholders passing a special resolution. For further details, please refer to the paragraphs headed "Summary of the constitution of our Company and the Cayman Islands Company Law — Articles of Association — Shares — Alteration of capital" in Appendix III to this document.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, the special rights attached to our Shares or any class of our Shares may, unless otherwise provided by the terms of issue of the shares of that class, be varied, either with the consent in writing of the holders of three-fourths of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For further details, please refer to the paragraphs headed "Summary of the constitution of our Company and the Cayman Islands Company Law — Articles of Association — Share — Variation of rights of existing shares or classes of shares" in Appendix III to this document.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any exercise of any options that may be granted under the Share Option Scheme), the following persons shall have an interest or short position in the Shares, or the underlying Shares, which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who shall, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Group:

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/Interested	Approximate percentage of shareholding
Mr. Chung	Interest of a controlled corporation *(Note 1)*	[REDACTED]	[REDACTED]
L.V.E.P. Holdings	Beneficial owner *(Note 1)*	[REDACTED]	[REDACTED]
Mr. Chau	Interest of a controlled corporation *(Note 2)*	[REDACTED]	[REDACTED]
Ching Wai Holdings	Beneficial owner *(Note 2)*	[REDACTED]	[REDACTED]
Ms. Cheung	Interest of spouse *(Note 3)*	[REDACTED]	[REDACTED]
Ms. Lee	Interest of spouse *(Note 4)*	[REDACTED]	[REDACTED]

Note 1: L.V.E.P. Holdings is 100% beneficially owned by Mr. Chung. Accordingly, Mr. Chung is deemed to be interested in the Shares held by L.V.E.P. Holdings under the SFO.

Note 2: Ching Wai Holdings is 100% beneficially owned by Mr. Chau. Accordingly, Mr. Chau is deemed to be interested in the Shares held by Ching Wai Holdings under the SFO.

Note 3: Ms. Cheung is the spouse of Mr. Chau and is deemed to be interested in the Shares held by Mr. Chau under the SFO.

Note 4: Ms. Lee is the spouse of Mr. Chung and is deemed to be interested in the Shares held by Mr. Chung under the SFO.

Save as disclosed in this section, our Directors are not aware of any persons who, immediately following completion of the [REDACTED] and the [REDACTED] (not taking into account any options that may be granted under the Share Option Scheme), shall have an interest or a short position in the Shares, or underlying Shares, which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or shall be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Group, and are, therefore, regarded as substantial shareholders under the Listing Rules.

The following discussion and analysis of the financial condition and results of operations are based on and should be read in conjunction with the financial information of our Group for each of the years ended 31 December 2015, 2016 and 2017, including the notes thereto, as set out in the Accountant's Report in Appendix I to this document. The financial information of our Group has been prepared in accordance with the HKFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" in this document.

OVERVIEW

We operate the OEM Business and the Yo Yo Monkey Business, being (i) the production and sales of plastic bottles and cups for infants and toddlers and plastic sports bottles on an OEM basis predominately for the overseas markets, particular the United States in terms of export value; and (ii) the production and sales of infant and toddler products, particularly plastic bottles and cups, under our "Yo Yo Monkey (優優馬騮)" brand principally for the PRC market, respectively. According to the Euromonitor Report, (i) we had a market share of approximately 3.3% of total export value of plastic bottles and baby feeding accessories from Hong Kong and the PRC to the United States in 2017; and (ii) we ranked first among the plastic bottles and baby feeding accessories OEM manufacturers in terms of export value from Hong Kong and the PRC to the United States in 2017. During the Track Record Period, our two largest OEM Business customers were (i) TOMY, a leading company in the toy industry, whose parent company is listed on the Tokyo Stock Exchange; and (ii) Customer A, a company incorporated in the United States and is primarily engaged in the sales of its sports bottle brand which is sold internationally, particularly the sales of shaker bottles through various renowned retail chains in the United States. We commenced our OEM Business in 2007 and our Yo Yo Monkey Business in 2012, respectively.

The following table sets out our revenue by business segments during the Track Record Period.

	For the year ended 31 December					
	2015		2016		2017	
	HK$'000	%	HK$'000	%	HK$'000	%
OEM Business	232,328	95.9	244,787	91.4	191,393	84.8
Yo Yo Monkey Business	10,016	4.1	23,108	8.6	34,357	15.2
Total revenue	242,344	100.0	267,895	100.0	225,750	100.0

We achieved growth in revenue from both of our OEM Business and our Yo Yo Monkey Business for the year ended 31 December 2016, where our total revenue recorded an annual growth of approximately 10.5%. Our revenue recorded an annual decline of approximately 15.7% for the year ended 31 December 2017 primarily due to the weaker demand for our products by our two largest OEM Business customers.

Our net profit amounted to approximately HK$49.3 million, HK$31.4 million and HK$17.5 million for each of the years ended 31 December 2015, 2016 and 2017, respectively. The annual decrease in net profit for the year ended 31 December 2016 was primarily attributable to the narrowed gross profit margin, increased income tax and the incurrence of [REDACTED]. The annual decrease in net profit for the year ended 31 December 2017 was primarily attributable to our decreased revenue, increased selling expenses and the increased [REDACTED].

MAJOR FACTORS AFFECTING THE FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS OF OUR GROUP

The financial condition and results of the operations of our Group have been and may continue to be affected by a number of factors, including but not limited to those set out as follows.

Our relationship with our two largest customers

During the Track Record Period, our revenue was derived from a concentrated customer base. Our revenue during the Track Record Period was primarily affected by the demand of our products by our two largest OEM Business customers, which in turn is generally driven by consumer demand and general economic condition. The following table summarises the contribution by our two largest customers to our revenue.

	For the year ended 31 December					
	2015		2016		2017	
	HK$'000	%	HK$'000	%	HK$'000	%
TOMY	100,807	41.6	91,621	34.2	65,977	29.2
Customer A	95,501	39.4	118,308	44.2	89,282	39.6
Others	46,036	19.0	57,966	21.6	70,491	31.2
	242,344	100.0	267,895	100.0	225,750	100.0

A significant portion of our revenue may continue to be derived from a limited number of customers in the foreseeable future. The revenue generated from our two largest customers, namely TOMY and Customer A, collectively accounted for approximately 81.0%, 78.4% and 68.8% of our total revenue for each of the years ended 31 December 2015, 2016 and 2017, respectively. Our ability to grow our business will significantly depend on our maintenance and development of relationship with them, which in turn depends on, among other things, our ability to maintain product quality and meet product requirements set by our customers.

Economic condition and consumer demand in the overseas and the PRC markets

Our Group's revenue is mainly derived from customers located in the United States, the Netherlands and the PRC. Our Group's revenue by the geographical location of the customers, determined based on the domicile countries of the customers, irrespective of the destinations of the goods, is detailed below:

	For the year ended 31 December					
	2015		2016		2017	
	HK$'000	%	HK$'000	%	HK$'000	%
USA	210,517	86.9	222,958	83.2	166,548	73.8
Netherlands	15,118	6.2	15,886	5.9	8,090	3.6
PRC	12,747	5.3	23,397	8.8	47,280	20.9
Other countries	3,962	1.6	5,654	2.1	3,832	1.7
	242,344	100.0	267,895	100.0	225,750	100.0

During the Track Record Period, the majority of our OEM Business products were delivered to the United States, while the products under our own "Yo Yo Monkey (優優馬騮)" brand were principally sold in the PRC to target the domestic market. As such, our financial performance and operation results rely on the demand and the macroeconomic conditions in the overseas and the PRC markets. 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 disposable income, growth of population of babies and toddlers, consumer preference, etc. Any decline in the general economic conditions in the overseas and the PRC markets may result in decrease in orders from our customers in such markets and potential delay and/or default in payment. We are not able to guarantee that we can continue to expand our customer base in the overseas and the PRC markets and generate higher revenue from such markets. Such factors could materially and adversely affect our business, financial conditions, operational results, prospect and profitability.

Cost of raw materials

Raw materials required for the production of our products principally include plastic resin and packaging materials. Our cost of raw materials amounted to approximately HK$86.0 million, HK$105.7 million and HK$83.1 million, representing approximately 59.2%, 58.7% and 56.9% of our total cost of sales, for each of the years ended 31 December 2015, 2016 and 2017, respectively. Plastic resin is our major raw material, where our plastic resin procurement amount accounted for approximately 42.4%, 41.6% and 42.4% of our total procurement amount for each of the years ended 31 December 2015, 2016 and 2017, respectively.

During the Track Record Period, (i) we did not enter into any long-term procurement contract with our suppliers, such that we could maintain the flexibility to procure raw materials at competitive prices; and (ii) we did not enter into any instrument to hedge the fluctuation in the

costs of raw materials. Significant increase in the costs of raw materials, together with the possible inability to pass on any increase in such costs to customers, could materially and adversely affect the cost of sales and the profitability of our Group.

For illustrative purpose only, assuming all other variables remain constant, the following table illustrates the sensitivity on our profit before income tax resulting from hypothetical fluctuation of 10% and 20% in our cost of raw materials during the Track Record Period, which are commensurate with the historical fluctuations of our cost of raw materials.

	Hypothetical fluctuations in cost of raw materials	
	+/–10%	**+/–20%**
Decrease/Increase in net profit before income tax:		
For the year ended 31 December 2015	–/+HK$8.6 million	–/+HK$17.2 million
For the year ended 31 December 2016	–/+HK$10.6 million	–/+HK$21.1 million
For the year ended 31 December 2017	–/+HK$8.3 million	–/+HK$16.6 million

Our financial performance could be materially affected if our costs of raw materials experience a material change.

Employee benefit expenses

Our employee benefit expenses primarily comprise salaries, wages, bonuses paid to our employees and contribution to defined contribution schemes. Our employee benefit expenses amounted to approximately HK$50.8 million, HK$58.1 million and HK$56.6 million for each of the years ended 31 December 2015, 2016 and 2017, respectively.

For illustrative purpose only, assuming all other variables remain constant, the following table illustrates the sensitivity on our profit before income tax resulting from hypothetical fluctuation of 10% and 20% in our employee benefit expenses during the Track Record Period, which are commensurate with the historical fluctuations of our employee benefit expenses.

	Hypothetical fluctuations in employee benefit expenses	
	+/–10%	**+/–20%**
Decrease/Increase in net profit before income tax:		
For the year ended 31 December 2015	–/+HK$5.1 million	–/+HK$10.2 million
For the year ended 31 December 2016	–/+HK$5.8 million	–/+HK$11.6 million
For the year ended 31 December 2017	–/+HK$5.7 million	–/+HK$11.3 million

Our financial performance could be materially affected if our employee benefit expenses experience a material change.

BASIS OF PREPARATION

Immediately prior to and after the Reorganisation, our businesses were controlled by Mr. Chau and Mr. Chung. Our businesses are conducted through Main Success and On Gain and their subsidiaries which are ultimately controlled by Mr. Chau and Mr. Chung. Our Company and the immediate holding entities have not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation was merely a reorganisation of our businesses with no change in management and the ultimate owners of our businesses. The financial information set out in the Accountant's Report has been prepared and presented with the assets and liabilities of the companies now comprising our Group using the carrying value of our businesses for all periods presented.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on combination.

SIGNIFICANT ACCOUNTING POLICIES

The financial information set out in the Accountant's Report has been prepared in accordance with the HKFRSs. The financial information has been prepared under the historical cost convention. For details of the principal accounting policies applied in the preparation of the historical financial information of our Group, please refer to Note 2 in the Accountant's Report included in Appendix I of this document.

The preparation of the financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 4 in the Accountant's Report included in Appendix I to this document.

Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable for the sale of goods in the ordinary course of our Group's activities. Revenue is stated net of allowances for credit and other revenue reducing factors after eliminating sales within our Group.

Revenue is recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to our Group and specific criteria for each of the activities have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activities have been resolved. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Revenue from our sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to the customer and title has passed.

Our Directors confirm that, during the Track Record Period, there was no material delay of revenue recognition due to time required for inspection and acceptance by our customers.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The principal annual rates used for this purpose are:

Buildings and decoration	5%
Furniture and fixtures	20%
Office equipment	20%
Tools and equipment	30%
Plant and machinery	10%
Motor vehicles	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses) — net' in the combined income statement.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Our Group makes estimates and assumptions concerning the future. During the Track Record Period, we had not experienced any material deviation between our management's estimate and actual results. We had not changed these estimates or the underlying assumptions during the Track Record Period and our management does not expect any material change in these estimates or the underlying assumptions in the foreseeable future. For details of our critical accounting estimates and judgements, please refer to note 4 to the Accountant's Report included in Appendix I to this document.

RESULTS OF OPERATION

The tables below set of the financial information summary as extracted from the combined income statements and the combined statements of financial position of our Group in the Accountant's Report.

Combined income statements

	For the year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Revenue	242,344	267,895	225,750
Cost of sales	(145,323)	(180,106)	(146,073)
Gross profit	97,021	87,789	79,677
Selling expenses	(16,486)	(17,397)	(22,532)
Administrative expenses	(26,849)	(27,121)	(27,424)
Other income	927	601	1,285
Other (losses)/gains — net	244	(488)	(339)
[REDACTED]	—	[REDACTED]	[REDACTED]
Operating profit	54,857	39,891	24,205
Finance income	11	7	48
Finance expenses	—	—	(35)
Profit before income tax	54,868	39,898	24,218
Income tax expenses	(5,614)	(8,524)	(6,720)
Profit for the year/period attributable to owners of our Company	49,254	31,374	17,498

Combined statements of financial position

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	37,956	31,916	32,309
	37,956	31,916	32,309
Current assets			
Inventories	36,042	28,561	42,727
Trade and other receivables	33,944	31,224	27,629
Deposits and prepayments	1,673	2,308	12,963
Amounts due from shareholders	6,050	10,092	—
Amount due from a related company	2	—	—
Pledged time deposits	—	—	10,000
Cash and bank balances	41,996	41,319	36,560
	119,707	113,504	129,879
Total assets	157,663	145,420	162,188
Non-current liabilities			
Deferred income tax liabilities	1,517	1	39
	1,517	1	39
Current liabilities			
Trade and other payables	36,492	27,490	40,294
Bill payables	—	—	2,881
Amount due to a shareholder	13,509	—	—
Amount due to related companies	28,727	30,667	13,861
Tax payable	3,579	4,493	3,079
	82,307	62,650	60,115
Total liabilities	83,824	62,651	60,154
Total equity attributable to owners of our Company	73,839	82,769	102,034

MAJOR COMPONENTS OF THE COMBINED INCOME STATEMENTS

Revenue

During the Track Record Period, our revenue was derived from our OEM Business and our Yo Yo Monkey Business. The following table sets out our revenue by business segment and product categories under each business segment during the Track Record Period.

	For the year ended 31 December					
	2015		2016		2017	
	HK$'000	%	HK$'000	%	HK$'000	%
OEM Business						
Plastic bottles and cups for infants and toddlers[1]	118,943	49.1	115,907	43.3	85,121	37.7
Plastic sports bottles	86,626	35.8	104,032	38.8	86,966	38.5
Others[2]	26,759	11.0	24,848	9.3	19,306	8.6
	232,328	95.9	244,787	91.4	191,393	84.8
Yo Yo Monkey Business						
Plastic bottles and cups for infants and toddlers[1]	7,816	3.2	18,014	6.7	20,860	9.2
Others[3]	2,200	0.9	5,094	1.9	13,497	6.0
	10,016	4.1	23,108	8.6	34,357	15.2
Total revenue	242,344	100.0	267,895	100.0	225,750	100.0

Notes:

(1) Plastic bottles and cups for infants and toddlers include but not limited to plastic toddler's insulated cups, semi disposable cups, plastic training cups and plastic baby feeding bottles.

(2) Others for our OEM Business mainly include other plastic products, such as plastic tableware.

(3) Others for our Yo Yo Monkey Business mainly include other infant and toddler products, such as plastic tableware and stainless steel bottles.

OEM Business

Our OEM Business focuses on two product categories, namely (i) plastic bottles and cups for infants and toddlers; and (ii) plastic sports bottles. During the Track Record Period, our major OEM Business customers were internationally renowned corporations, which included TOMY, Customer A and Customer B, and the majority of our products were delivered to the United States. For each

of the years ended 31 December 2015, 2016 and 2017, the revenue from our OEM Business amounted to approximately HK$232.3 million, HK$244.8 million and HK$191.4 million, representing approximately 95.9%, 91.4% and 84.8% of our total revenue, respectively.

Within our OEM Business, plastic bottles and cups for infants and toddlers was one of the largest product segments, representing approximately 49.1%, 43.3% and 37.7% of our total revenue for each of the years ended 31 December 2015, 2016 and 2017, respectively. Our revenue from plastic bottles and cups for infants and toddlers under our OEM Business decreased by approximately 2.5% from approximately HK$118.9 million for the year ended 31 December 2015 to approximately HK$115.9 million for the year ended 31 December 2016, and further decreased by approximately 26.6% to approximately HK$85.1 million for the year ended 31 December 2017. These declines were mainly attributable to our decline in sales volume of our plastic toddler's insulated cups and semi disposable cups to TOMY. Such decrease in revenue from TOMY was in turn mainly attributable to the lackluster trend in sales of baby products of TOMY's parent group in the United States in 2017 as disclosed in the financial information published by TOMY's parent company which is listed on the Tokyo Stock Exchange.

We also derived a large portion of our revenue from plastic sports bottles, representing approximately 35.8%, 38.8% and 38.5% of our total revenue, for each of the years ended 31 December 2015, 2016 and 2017, respectively. All of the plastic sports bottles we sold during the Track Record Period were sold to Customer A. Our revenue from plastic sports bottles increased by approximately 20.1% from approximately HK$86.6 million for the year ended 31 December 2015 to approximately HK$104.0 million for the year ended 31 December 2016, such growth in revenue from plastic sports bottles was primarily due to the continuous increase of sales volume to Customer A in respect of our plastic sports bottles. Our revenue from plastic sports bottles decreased by approximately 16.3% from approximately HK$104.0 million for the year ended 31 December 2016 to approximately HK$87.0 million for the year ended 31 December 2017, mainly due to the higher demand of plastic sports bottles from Customer A for its promotional event in 2016, which did not recur in 2017, and the transition from existing product models to new product models gradually being launched.

Yo Yo Monkey Business

While our OEM Business has been predominately for the overseas markets, we have spotted business opportunities in the PRC. In particular, since the relaxation of the one-child policy in the PRC in 2016, there has been a rise in the demand for infant and toddler products in the PRC. Also, there is an increase in general public awareness and demand for safe and quality infant and toddler products. Leveraging on the accumulated business experience in the industry, we have developed our "Yo Yo Monkey (優優馬騮)" brand products to position and target in the domestic market in the PRC. For each of the years ended 31 December 2015, 2016 and 2017, the revenue from our Yo Yo Monkey Business amounted to approximately HK$10.0 million, HK$23.1 million and HK$34.4 million, representing approximately 4.1%, 8.6% and 15.2% of our total revenue, respectively. The continuous growth in revenue from sales of our "Yo Yo Monkey (優優馬騮)" brand products during the Track Record Period was primarily due to (i) our continuous effort in expanding

distribution channels in the PRC by means of engaging more distributors and retailers, hiring more sales personnel throughout the PRC and conducting online and offline promotion activities; and (ii) the increased sales to our distributors and retailers and through e-commerce platforms.

Cost of sales

Our Group's cost of sales primarily consisted of cost of raw materials, manufacturing overheads and direct labour costs. For each of the years ended 31 December 2015, 2016 and 2017, our cost of sales was approximately HK$145.3 million, HK$180.1 million and HK$146.1 million, representing approximately 60.0%, 67.2% and 64.7% of our revenue, respectively.

The following table sets out a breakdown of our cost of sales by business segment during the Track Record Period:

	For the year ended 31 December					
	2015		2016		2017	
	HK$'000	%	HK$'000	%	HK$'000	%
OEM Business	139,790	96.2	166,355	92.4	125,837	86.1
Yo Yo Monkey Business	5,533	3.8	13,751	7.6	20,236	13.9
	145,323	100.0	180,106	100.0	146,073	100.0

The following table sets out the component of our cost of sales during the Track Record Period:

	For the year ended 31 December					
	2015		2016		2017	
	HK$'000	%	HK$'000	%	HK$'000	%
Cost of raw materials	85,984	59.2	105,664	58.7	83,061	56.9
Manufacturing overheads[(1)]	26,556	18.3	37,882	21.0	32,229	22.0
Direct labour costs	27,093	18.6	29,589	16.4	23,785	16.3
Others[(2)]	5,690	3.9	6,971	3.9	6,998	4.8
	145,323	100.0	180,106	100.0	146,073	100.0

Notes:

(1) Manufacturing overheads mainly include depreciation, repair and maintenance expenses, utilities expenses, indirect labour costs and rental expenses.

(2) Others mainly include sample testing expenses.

For each of the years ended 31 December 2015, 2016 and 2017, the major component of our cost of sales was raw materials and therefore our cost of sales are to a great extent affected by our cost of raw materials. Our cost of raw materials amounted to approximately HK$86.0 million, HK$105.7 million and HK$83.1 million, which accounted for approximately 59.2%, 58.7% and 56.9% of our total cost of sales, for each of the years ended 31 December 2015, 2016 and 2017, respectively. The fluctuation in our cost of raw materials during the Track Record Period was primarily attributable to (i) the fluctuation of market price of plastic resin as it is the major raw material used in the manufacturing of our products, and (ii) the fluctuation of sales during the Track Record Period. Our cost of raw materials accounted to approximately 35.5%, 39.4% and 36.8% of our total revenue for each of the years ended 31 December 2015, 2016 and 2017. Plastic resin procurement amounted to approximately HK$40.0 million, HK$45.4 million and HK$46.5 million, which accounted for approximately 42.4%, 41.6% and 42.4% of our total procurement amount, for each of the years ended 31 December 2015, 2016 and 2017, respectively. Our Group procured approximately 2,506,000 kg, 2,566,000 kg and 2,126,000 kg of plastic resin, representing average procurement price of approximately HK$16.0 per kg, HK$17.7 per kg and HK$21.9 per kg for each of the years ended 31 December 2015, 2016 and 2017, respectively. According to the Euromonitor Report, the fluctuation of market price of PP from 2015 to 2017, being one of the most frequently used type of plastic resin by our Group, was mainly caused by depression of oil price in the upstream industry in 2015. In 2016, the rising crude oil price, increasing market demand and decline in PP inventories of leading petrochemical corporations reversed this downward trend.

Manufacturing overheads amounted to approximately HK$26.6 million, HK$37.9 million and HK$32.2 million, representing approximately 18.3%, 21.0% and 22.0% of our total cost of sales, for each of the years ended 31 December 2015, 2016 and 2017, respectively. The increase of manufacturing overheads from 2015 to 2016 was mainly due to a one-off repair and maintenance expenses incurred in 2016. The decrease in manufacturing overheads from 2016 to 2017 was mainly due to less repair and maintenance expenses incurred in 2017.

Direct labour costs primarily consisted of salaries, wages, bonuses and contribution to defined contribution schemes for our production staff. For each of the years ended 31 December 2015, 2016 and 2017, direct labour costs were approximately HK$27.1 million, HK$29.6 million and HK$23.8 million, representing approximately 18.6%, 16.4% and 16.3% of our total cost of sales, respectively. The increase in direct labour costs from 2015 to 2016 was mainly due to increased wages. The decrease in direct labour costs from 2016 to 2017 was primarily due to our decrease in revenue and therefore the demand for labour. The number of our production staff was approximately 564, 543 and 627 as at 31 December 2015, 2016 and 2017, respectively. The increase in the number of production staff as at 31 December 2017 as compared with that as at 31 December 2016 was primarily due to (i) our recovery in sales in the fourth quarter of 2017; and (ii) the anticipated improvement of our sales performance in 2018. Our Directors consider that our Group is able to hire additional production staff in the market when manufacturing needs arise, given, among other factors, (i) a significant portion of production staff to be hired are responsible for general assembly, which do not require advanced skills; and (ii) our Group did not experience any material difficulty in hiring production staff in the PRC in the past. The fluctuation pattern of

our direct labour costs was in line with that of the total revenue of our Group, where the percentage of our direct labour costs to our total revenue for the years ended 31 December 2015, 2016 and 2017 was approximately 11.2%, 11.0% and 10.5%, respectively.

Gross profit

The following table sets out an analysis of our gross profit and gross profit margins by business segment during the Track Record Period.

	For the year ended 31 December					
	2015		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	%	HK$'000	%	HK$'000	%
OEM Business	92,538	39.8	78,432	32.0	65,556	34.3
Yo Yo Monkey Business	4,483	44.8	9,357	40.5	14,121	41.1
Total	97,021	40.0	87,789	32.8	79,677	35.3

Our overall gross profit was approximately HK$97.0 million, HK$87.8 million and HK$79.7 million for each of the years ended 31 December 2015, 2016 and 2017, respectively. Our overall gross profit margin was approximately 40.0%, 32.8% and 35.3%, respectively. The decrease in our overall gross profit margin from 2015 to 2016 was primarily due to (i) the increase in cost of raw materials as the average procurement price of plastic resin increased in 2016 as compared with that in 2015; and (ii) the increase in manufacturing overheads due to the one-off repair and maintenance expenses incurred in 2016. The increase in gross profit margin from 2016 to 2017 was primarily due to the decrease in cost of raw materials, repair and maintenance expenses and direct labour costs in 2017 as compared with that in 2016.

The gross profit margin of our OEM Business was approximately 39.8%, 32.0% and 34.3% for each of the years ended 31 December 2015, 2016 and 2017, respectively. The gross profit margin of our Yo Yo Monkey Business was approximately 44.8%, 40.5% and 41.1% for each of the years ended 31 December 2015, 2016 and 2017, respectively. Our Yo Yo Monkey Business, which involves the sales of products under our own brand, achieved higher gross profit margin as compared with that of our OEM Business during the Track Record Period mainly due to the difference in business models, including our roles, customers and product types, for these two businesses. For our Yo Yo Monkey Business, (i) we designed, developed and produced our products; (ii) our products carry our own brand; (iii) our products were directly sold to distributors and retailers; and (iv) we have the flexibility to focus on product types that could be marketed at a higher unit price and profit margin. On the contrary, for our OEM Business, (i) we mainly provided manufacturing services to our customers; (ii) our products were developed by our customers and do not carry our own brand; (iii) our products were sold in bulk to our customers which might then in turn deliver such products to their distributors and/or retailers for onward sales; and (iv) we do not

have the power to focus on product types which carry higher unit price. The fluctuation patterns of the gross profit margin of our OEM Business and Yo Yo Monkey Business were both in line with that of the overall gross profit margin of our Group during the Track Record Period.

Selling expenses

Our Group's selling expenses primarily consisted of transportation expenses, marketing and promotion expenses, employee benefit expenses and travelling expenses. For each of the years ended 31 December 2015, 2016 and 2017, our selling expenses was approximately HK$16.5 million, HK$17.4 million and HK$22.5 million, representing approximately 6.8%, 6.5% and 10.0% of our revenue, respectively.

The following table sets out the breakdown of our selling expenses during the Track Record Period:

	For the year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Transportation expenses	6,884	6,440	6,195
Marketing and promotion expenses	5,254	4,044	4,905
Employee benefit expenses	1,946	3,604	4,862
Travelling expenses	1,097	1,423	3,101
Others[#]	1,305	1,886	3,469
	16,486	17,397	22,532

[#] *Note:* Others mainly include entertainment expenses.

Transportation expenses, which primarily related to the delivery of our finished goods, was the major component of our selling expenses during the Track Record Period. Our transportation expenses decreased from approximately HK$6.9 million for the year ended 31 December 2015 to approximately HK$6.4 million for the year ended 31 December 2016, such decreases were attributable to, among other factors, (i) more of our goods were delivered from our Production Base to the ports in the PRC rather than cross-border to Hong Kong; and (ii) the decrease in number of containers shipped as a results of the change of our product mix towards plastic sports bottles, the per container dollar value of which are generally higher than our infant and toddler products. The decrease in transportation expenses to approximately HK$6.2 million for the year ended 31 December 2017 was primarily due to the decrease in revenue in the year ended 31 December 2017.

Marketing and promotion expenses primarily related to trade shows and marketing activities. Our higher marketing and promotion expenses for the year ended 31 December 2015 was primarily due to the endorsement fee paid to a child celebrity in the promotion of our "Yo Yo Monkey (優優馬騮)" brand products in the PRC. Our marketing and promotion expenses increased for the year

ended 31 December 2017 as compared with that for the year ended 31 December 2016 was primarily due to more marketing and promotion fees incurred in 2017 for the development of our Yo Yo Monkey Business.

Employee benefit expenses increased from approximately HK$1.9 million for the year ended 31 December 2015 to approximately HK$3.6 million for the year ended 31 December 2016, and further increased to approximately HK$4.9 million for the year ended 31 December 2017. The increase in employee benefit expenses for our sales staff was primarily due to increased headcount of sales staff for the expansion of our Yo Yo Monkey Business.

Travelling expenses increased from approximately HK$1.1 million for the year ended 31 December 2015 to approximately HK$1.4 million for the year ended 31 December 2016 and further to approximately HK$3.1 million for the year ended 31 December 2017 was primarily due to increased business development activities for the expansion of our Yo Yo Monkey Business in the PRC.

Administrative expenses

The following table sets out the breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Employee benefit expenses	15,358	15,457	14,796
Rental and management fee expenses	3,648	3,753	3,706
Travelling expenses	2,537	1,967	2,000
Entertainment expenses	2,094	2,066	659
Others[#]	3,212	3,878	6,263
	26,849	27,121	27,424

[#] *Note:* Others include but not limited to customs declaration charges, printing and stationary expenses and communication expenses.

Our administrative expenses primarily consisted of employee benefit expenses, rental and management fee expenses, travelling expenses and entertainment expenses. For each of the years ended 31 December 2015, 2016 and 2017, our administrative expenses was approximately HK$26.8 million, HK$27.1 million and HK$27.4 million, representing approximately 11.1%, 10.1% and 12.1% of our revenue, respectively. Our administrative expenses during the Track Record Period was relatively stable.

Other income and other gains and losses

The following table sets out the breakdown of our other income and other gains and losses during the Track Record Period:

	For the year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Other income			
— Rental income from leasing vehicles	263	185	99
— Government grant	—	75	720
— Sundries	664	341	466
	927	601	1,285
Other (losses)/gains — net	244	(488)	(339)
Other income and gains	1,171	113	946

During the Track Record Period, our other income and gains were mainly driven by vehicle rental income, government grant and sundries. The annual decrease in other income and gains for the year ended 31 December 2016 was primarily due to the net loss on disposal of aged machinery during the year. The annual increase in other income and gains for the year ended 31 December 2017 was primarily due to the receipt of government grant of approximately HK$0.7 million.

[REDACTED]

We have incurred [REDACTED] in connection with the [REDACTED], which include professional fees, [REDACTED] commissions and other related expenses. The total amount of [REDACTED] is estimated to be approximately HK$[REDACTED] (based on the mid-point of the indicative price range for the [REDACTED]), among which (i) approximately HK$[REDACTED] and HK$[REDACTED] of such [REDACTED] had been charged as expenses to the combined income statements of our Group for the year ended 31 December 2016 and 2017, respectively; (ii) approximately HK$[REDACTED] had been included in prepayments which will be further deducted from equity upon completion of the [REDACTED]; and (iii) approximately HK$[REDACTED] of such [REDACTED] are expected to be further incurred in the year ending 31 December 2018, of which approximately HK$[REDACTED] is expected to be charged to our income statements and approximately HK$[REDACTED] is expected to be accounted for as a deduction from equity. The actual amounts to be recognized to our income statements or to be deducted from our equity are subject to changes in variables and assumptions. Our Directors expect that our financial performance for the year ending 31 December 2018 will be adversely affected by the [REDACTED] to be charged to our income statements for such year.

Finance income

Finance income amounted to approximately HK$11,000, HK$7,000 and HK$48,000 for each of the years ended 31 December 2015, 2016 and 2017, respectively. Our finance income during the Track Record Period were derived from the interest income from our bank deposits. Our cash at banks amounted to approximately HK$41.6 million, HK$40.9 million and HK$45.9 million as at 31 December 2015, 2016 and 2017, respectively. The increase in finance income for the year ended 31 December 2017 was attributable to higher interest income generated from the time deposits in the year ended 31 December 2017.

Finance expenses

Our Group did not raise any bank loan and did not incur any finance cost during the years ended 31 December 2015 and 2016. For the year ended 31 December 2017, we incurred finance expenses of approximately HK$35,000 from utilisation of bills facility.

Income tax expenses

During the Track Record Period, income tax expenses primarily were income tax charged on our PRC and Hong Kong entities.

Hong Kong profits tax

For each of the years ended 31 December 2015, 2016 and 2017, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the years.

Pursuant to Departmental Interpretation and Practice Notes No. 21 (Revised in July 2012) ("**DIPN 21**") issued by the IRD, in the event of a Hong Kong company entering into a contract processing agreement with a PRC entity where the production processes are carried out at a processing facility situated in the PRC and such Hong Kong company provides raw materials and machineries without consideration and the technical and managerial know-how according to the processing agreement, profits of the Hong Kong company generated from the sale of goods that are manufactured/processed by such PRC entity can be entitled to the 50:50 offshore claim so that 50% of such profit is apportioned and treated as derived outside Hong Kong and the chargeable profits so apportioned can be treated as non-taxable in Hong Kong.

Before October 2015, Wancheng Plastic was engaged in contract processing arrangement with Main Success. Under this arrangement, Main Success provided raw materials and/or semi-finished products to Wancheng Plastic for further processing and/or assembly. Accordingly, Main Success was entitled to have 50% offshore claim in relation to the profits generated from the sales of goods that were manufactured by Wancheng Plastic under the contract processing arrangement so that 50% of such profit were treated as non-taxable in Hong Kong pursuant to DIPN 21. Starting from October 2015, pursuant to the encouragement of the local government authorities in the PRC, Wancheng Plastic started to transform into an import processing manufacturer which imported raw materials and/or semi-finished products for further processing and/or assembly and sold the

products to Main Success. Accordingly, Main Success was no longer entitled to the 50% offshore claim and it resulted in higher income tax expenses of our Group for each of the years ended 31 December 2016 and 2017.

PRC enterprise income tax

PRC enterprise income tax has been generally provided at the applicable enterprise income tax rate of 25% on the estimated assessable profits of the companies in our Group during the Track Record Period.

Income tax expenses

Our income tax expenses consisted of current tax and deferred tax that we incurred. The following table sets out the breakdown of our income tax expenses during the Track Record Period.

	For the year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Current income tax			
— Hong Kong profits tax	5,311	8,046	4,063
— PRC enterprise income tax	692	1,994	2,619
	6,003	10,040	6,682
Deferred income tax	(389)	(1,516)	38
	5,614	8,524	6,720

The following table sets out our effective tax rate during the Track Record Period.

	For the year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Profit before income tax	54,868	39,898	24,218
Add: [REDACTED][#]	—	[REDACTED]	[REDACTED]
Adjusted profit before income tax	54,868	43,391	30,680
Income tax expenses	5,614	8,524	6,720
Effective tax rate	10.2%	19.6%	21.9%

[#] *Note:* [REDACTED] are not deductible for taxation purposes.

For each of the years ended 31 December 2015, 2016 and 2017, our income tax expenses were approximately HK$5.6 million, HK$8.5 million and HK$6.7 million, representing effective tax rate of approximately 10.2%, 19.6% and 21.9%, respectively. Our effective tax rates for the years ended 31 December 2015 was lower than the Hong Kong profits tax rate because we had income not

subject to taxation in relation to 50% of the profits generated by Main Success in Hong Kong from the sales of goods that were manufactured by Wancheng Plastic under the contract processing arrangement pursuant to DIPN 21. Our effective tax rates for the year ended 31 December 2016 and 2017 were higher than that for the year ended 31 December 2015 and also the Hong Kong profits tax rate because (i) the taxable income generated by our PRC subsidiaries increased and such taxable income were subject to PRC income tax rate of 25%; and (ii) Wancheng Plastic started to transform from a contract processing manufacturer to an import processing manufacturer since October 2015, the profits generated by Main Success from sales of products manufactured by Wancheng Plastic for the years ended 31 December 2016 and 2017 were not entitled to the 50% offshore claim. Our PRC subsidiaries were subject to the unified PRC enterprise income tax rate of 25% throughout the Track Record Period. The increase of our PRC enterprise income tax from approximately HK$0.7 million for the year ended 31 December 2015 to approximately HK$2.0 million for the year ended 31 December 2016 was mainly due to the aforesaid change in the business model of Wancheng Plastic from a contract processing manufacturer to an import processing manufacturer, where Wancheng Plastic was required to bear additional responsibilities and risks to import and carry raw materials and/or semi-finished products and conduct sales of products rather than just provide processing and/or assembly services, thereby Wancheng Plastic had a higher taxable profit for the year ended 31 December 2016. Our PRC enterprise income tax further increased from approximately HK$2.0 million for the year ended 31 December 2016 to approximately HK$2.6 million for the year ended 31 December 2017 mainly due to the improvement of the financial performance of our Yo Yo Monkey Business for the year ended 31 December 2017 as compared with that for the year ended 31 December 2016. Our effective tax rate also further increased from approximately 19.6% for the year ended 31 December 2016 to approximately 21.9% for the year ended 31 December 2017 mainly due to a higher proportion of our current income tax were from PRC enterprise income tax, which is subject to a higher tax rate than for our Hong Kong profits tax. Further details of the calculation of the income tax expenses of our Group are set out in the Accountant's Report in Appendix I to this document.

Our Directors confirm that, during the Track Record Period, our Group did not have any dispute or unresolved tax issue with the relevant tax authorities.

Transfer pricing

During the Track Record Period, contract processing and import processing transactions were conducted between Wancheng Plastic and Main Success. Our Group has engaged an independent tax adviser, which is an international professional accounting firm, to conduct an independent transfer pricing study to evaluate the transfer pricing arrangement of the intra-group transactions of our Group during the Track Record Period. The key basis of the benchmarking study involved the comparison of the transactional net margin of Wancheng Plastic and the transactional net margin of the market comparables. The transfer pricing study concluded with an opinion that the said intra-group transactions during the Track Record Period could be considered conducted in accordance with the arm's length principle from the PRC and Hong Kong transfer pricing perspectives. On such

basis, our Group considers that, during the Track Record Period, our intra-group transactions were in compliance with the applicable transfer pricing guidelines/regulations of the respective jurisdictions.

Wancheng Plastic obtained a compliance letter issued by the responsible tax authority on 6 February 2018. Based on the letter, it is the opinion of the PRC Legal Adviser that all tax filings in respect of the related party transactions since the establishment of Wancheng Plastic were in accordance with the relevant tax filing requirements, and the risk that Wancheng Plastic would be liable to penalties or tax adjustments for the related party transactions with its affiliates (including but not limited to Main Success) is remote.

Profit attributable to owners of our Company

As a result of the foregoing, profit attributable to owners of our Company amounted to approximately HK$49.3 million, HK$31.4 million and HK$17.5 million for each of the years ended 31 December 2015, 2016 and 2017, respectively.

PERIOD ON PERIOD DISCUSSION OF OVERALL FINANCIAL RESULTS

Comparison of the year ended 31 December 2017 and the year ended 31 December 2016

Revenue decreased by approximately 15.7% from approximately HK$267.9 million for the year ended 31 December 2016 to approximately HK$225.8 million for the year ended 31 December 2017. The decrease in revenue was mainly attributable to (i) the decrease in sales to TOMY from approximately HK$91.6 million to approximately HK$66.0 million due to the lackluster trend in sales of baby products of TOMY's parent group in the United States in 2017 as disclosed in the financial information published by TOMY's parent company which is listed on the Tokyo Stock Exchange; and (ii) the decrease in sales to Customer A from approximately HK$118.3 million to approximately HK$89.3 million mainly due to the higher demand of plastic sports bottles from Customer A for its promotional event in 2016, which did not recur in 2017, and the transition from existing product models to new product models gradually being launched. Such decrease in revenue was partially offset by the increase in revenue of our Yo Yo Monkey Business from approximately HK$23.1 million to approximately HK$34.4 million, representing an annual growth of approximately 48.9%, due to the expansion of our distribution network in the PRC and the increased sales to our distributors and retailers and through e-commerce platform in 2017.

Cost of sales decreased by approximately 18.9% from approximately HK$180.1 million for the year ended 31 December 2016 to approximately HK$146.1 million for the year ended 31 December 2017. The decrease in cost of sales was mainly attributable to decrease in cost of raw materials, manufacturing overheads and direct labour cost as a result of our decrease in sales in 2017.

In light of our decrease in revenue, our gross profit declined by approximately 9.2% from approximately HK$87.8 million for the year ended 31 December 2016 to approximately HK$79.7 million for the year ended 31 December 2017. Gross profit margin increased from approximately 32.8% for the year ended 31 December 2016 to approximately 35.3% for the year ended 31 December 2017, primarily due to the increase in gross profit margin for the year ended 31 December 2017 was primarily due to the decrease in cost of raw materials, repair and maintenance expenses and direct labour cost in 2017.

Selling expenses increased from approximately HK$17.4 million for the year ended 31 December 2016 to approximately HK$22.5 million for the year ended 31 December 2017, representing an annual growth of approximately 29.3%. The increase in selling expenses was primarily attributable to the increase in marketing and promotion expenses, employee benefit expenses and travelling expenses for the expansion of our Yo Yo Monkey Business.

Administrative expenses increased from approximately HK$27.1 million for the year ended 31 December 2016 to approximately HK$27.4 million for the year ended 31 December 2017, representing an annual growth of approximately 1.1%. Our administrative expenses remained stable in 2016 and 2017.

Net amount of other income and gains increased from approximately HK$0.1 million for the year ended 31 December 2016 to approximately HK$0.9 million for the year ended 31 December 2017 due to the receipt of government's grant of approximately HK$0.7 million.

For the year ended 31 December 2017, we incurred [REDACTED] in connection with the [REDACTED], which included professional fees and other related expenses, of approximately HK$[REDACTED].

Finance income increased from HK$7,000 for the year ended 31 December 2016 to approximately HK$48,000 for the year ended 31 December 2017. Our finance income was attributable to our bank deposit. The increase in finance income was primarily attributable to higher interest income generated from the time deposits in the year ended 31 December 2017.

For the year ended 31 December 2017, we incurred finance expenses of approximately HK$35,000 for our utilization of bills facility.

Income tax expenses decreased from approximately HK$8.5 million for the year ended 31 December 2016 to approximately HK$6.7 million for the year ended 31 December 2017. The decrease in income tax expenses was primarily attributable to our lower profit before income tax.

Net profit decreased from approximately HK$31.4 million for the year ended 31 December 2016 to approximately HK$17.5 million for the year ended 31 December 2017, representing an decrease of approximately 44.3%, which was primarily attributable to the decline in revenue, the increase in selling expenses and the incurrence of increased [REDACTED] in 2017.

Comparison of the year ended 31 December 2016 and the year ended 31 December 2015

Revenue improved from approximately HK$242.3 million for the year ended 31 December 2015 to approximately HK$267.9 million for the year ended 31 December 2016, representing an annual growth of approximately 10.6%. The increase in revenue was mainly attributable to (i) the increase in our sales of plastic sports bottles from approximately HK$86.6 million for the year ended 31 December 2015 to approximately HK$104.0 million for the year ended 31 December 2016; and (ii) the increase in our sales of "Yo Yo Monkey (優優馬騮)" brand products from approximately HK$10.0 million for the year ended 31 December 2015 to approximately HK$23.1 million for the year ended 31 December 2016. The increase in our sales of plastic sports bottles was primarily due to the increased product volume demanded by Customer A. The increase in our sales of "Yo Yo Monkey (優優馬騮)" brand products was primarily due to the expansion of our distribution network in the PRC and the increased sales to our existing customers.

Cost of sales rose from approximately HK$145.3 million for the year ended 31 December 2015 to approximately HK$180.1 million for the year ended 31 December 2016, representing an annual increase of approximately 24.0%. The increase in cost of sales was mainly attributable to (i) the increase in our cost of raw materials from approximately HK$86.0 million for the year ended 31 December 2015 to approximately HK$105.7 million for the year ended 31 December 2016, representing an annual growth of approximately 22.9%, which in turn was due to the increase in our average procurement price of plastic resin from approximately HK$16.0 per kg for the year ended 31 December 2015 to approximately HK$17.7 per kg for the year ended 31 December 2016; and (ii) the increase in manufacturing overheads from approximately HK$26.6 million for the year ended 31 December 2015 to approximately HK$37.9 million for the year ended 31 December 2016 mainly due to a one-off repair and maintenance expenses incurred in 2016.

In light of the heightened cost of sales, our gross profit narrowed from approximately HK$97.0 million for the year ended 31 December 2015 to approximately HK$87.8 million for the year ended 31 December 2016, representing an annual decline of approximately 9.5%. Gross profit margin declined from approximately 40.0% for the year ended 31 December 2015 to approximately 32.8% for the year ended 31 December 2016.

Selling expenses increased from approximately HK$16.5 million for the year ended 31 December 2015 to approximately HK$17.4 million for the year ended 31 December 2016, representing an annual growth of approximately 5.5%. The increase in selling expenses was primarily attributable to the increase in employee benefit expenses from approximately HK$1.9 million for the year ended 31 December 2015 to approximately HK$3.6 million for the year ended 31 December 2016 as a result of increased headcount of sales staff for our Yo Yo Monkey Business.

Administrative expenses increased from approximately HK$26.8 million for the year ended 31 December 2015 to approximately HK$27.1 million for the year ended 31 December 2016, representing an annual growth of approximately 1.1%. Our administrative expenses remained relatively stable during the period indicated above.

Net amount of other income and gains decreased from approximately HK$1.2 million for the year ended 31 December 2015 to approximately HK$0.1 million for the year ended 31 December 2016. The decrease in net gain was primarily attributable to loss on disposal of aged machinery incurred in 2016 of approximately HK$0.8 million.

For the year ended 31 December 2016, we have incurred [REDACTED] in connection with the [REDACTED], which included professional fees and other related expenses, of approximately HK$[REDACTED].

Finance income, which primarily relates to bank deposit interest income, decreased from approximately HK$11,000 for the year ended 31 December 2015 to approximately HK$7,000 for the year ended 31 December 2016.

Income tax expenses increased from approximately HK$5.6 million for the year ended 31 December 2015 to approximately HK$8.5 million for the year ended 31 December 2016. The increase in income tax expenses was primarily attributable to the higher taxable income of Wancheng Plastic and Main Success for the year ended 31 December 2016. For details of the fluctuation of our income tax during the Track Record Period, please refer to the paragraph headed "Income tax expenses" under this section.

Net profit narrowed from approximately HK$49.3 million for the year ended 31 December 2015 to approximately HK$31.4 million for the year ended 31 December 2016, representing an annual decrease of approximately 36.3%, which was primarily attributable to the narrowed gross profit, increased income tax and the incurrence of [REDACTED] of approximately HK$[REDACTED] in 2016 for the purpose of the [REDACTED].

SUSTAINABILITY OF OUR BUSINESS

Our revenue and net profit recorded annual decline for the year ended 31 December 2017 as elaborated previously. Nevertheless, our Directors consider our business to be sustainable after taking into account the following factors:

(i) Our established relationship with major customers which are internationally renowned

For each of the years ended 31 December 2015, 2016 and 2017, our aggregate revenue derived from the two largest customers, namely TOMY and Customer A, accounted for approximately 81.0%, 78.4% and 68.8% of our total revenue, respectively. Both TOMY and Customer A are internationally renowned corporations and their products have market demand on an international scale. Our Directors consider our Group can maintain business relationships with TOMY and Customer A after taking into account the following principal factors:

- as at the Latest Practicable Date, we have established 11 years and seven years of business relationship with TOMY and Customer A, respectively;

- as detailed in the paragraphs headed "Business — Sales — Our five largest customers" in this document, TOMY and Customer A had confirmed in February 2018 that (a) our Group was their key manufacturer of the product items which they engaged us to manufacture; (b) our Group was one of their top three suppliers in respect of the relevant product categories during the Track Record Period; and (c) they intended to continue their business relationship with our Group going forward; and

- as detailed in the paragraphs headed "Summary — Recent development and material adverse change" in this document, we have made various efforts to solicit sales orders from TOMY and Customer A.

Our Directors consider our ability to maintain business relationship with both TOMY and Customer A to be important in respect of the sustainability of our overall business.

(ii) Our ability to procure new OEM Business customers

We have made and will continue to make efforts in developing businesses with existing and potential customers for our OEM Business. Based upon our established industry reputation arising from our business relationships with internationally renowned corporations, we have been able to procure new customers for our OEM Business. For instance, we commenced sales to Customer E, which is a company incorporated in the US and is a renowned corporation in the infant and toddler products industry in 2015 and Customer E became our fourth largest customer in terms of revenue amount for each of the years ended 31 December 2016 and 2017. Our Directors believe our ability to procure new OEM Business customers enhances the long term development of our OEM Business and the sustainability of our overall business.

(iii) Our Yo Yo Monkey Business has been growing, where we can leverage on the strengths of and our experience accumulated in our OEM Business, including our capabilities in manufacturing and quality control, which is a factor that we can differentiate our brand from other domestic brands

For each of the years ended 31 December 2015, 2016 and 2017, revenue from our Yo Yo Monkey Business amounted to approximately HK$10.0 million, HK$23.1 million and HK$34.4 million, which accounted for approximately 4.1%, 8.6% and 15.2% of our total revenue, respectively. The revenue of our Yo Yo Monkey Business recorded a CAGR of approximately 85.5% during the Track Record Period and we plan to continue to develop our Yo Yo Monkey Business. In addition to the business potential of our Yo Yo Monkey Business, our two business segments generate synergy. The strengths of, and our experiences accumulated from, our OEM Business, which serves international renowned corporations, can enhance our product design and quality assurance capabilities for our Yo Yo Monkey Business. Our products adhere to various international standards and have passed various chemical and physical tests. Moreover, as our Yo Yo Monkey Business grows, we believe that it will enable us to enjoy greater economies of scale in production costs. With our own production facilities, we have better production flexibility, such as modifying product design

details from time to time to cope with latest seasonal trends, and have better quality and cost control as compared with domestic brand owners which do not operate their own production facilities. Our Directors consider the development and contribution of our Yo Yo Monkey Business to be also important to the sustainability of our overall business.

(iv) Our industry is expected to grow

Our key products, being plastic bottles and baby feeding accessories, are daily use items. According to the Euromonitor Report, our industry is expected to grow, particularly, (i) the value sales of plastic shaker bottles in the US, being one of the key products of our OEM Business, are expected to grow at a CAGR of approximately 9.6% from 2017 to 2022; and (ii) in respect of our Yo Yo Monkey Business, due to the abolishment of the one-child policy in the PRC, as well as a stable and growing birth rate, the total retail value sales of the plastic bottles, cups and tableware for infants and toddlers market in the PRC is expected to grow at a CAGR of approximately 7.5% from 2017 to 2022. Our Directors consider our product nature together with the positive general industry environment is an important indicator in respect of the sustainability of our overall business.

(v) Our expansion plan by the utilisation of our [REDACTED] from the [REDACTED]

As detailed in the paragraphs headed "Business strategies" under the section headed "Business" in this document, we plan to develop our business through expanding our production capabilities and conducting sales and marketing activities by the utilisation of our [REDACTED] from the [REDACTED]. Our Directors believe the execution of our business plan can further solidify the sustainability of our overall business.

MAJOR COMPONENTS OF THE COMBINED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories comprise raw materials, work in progress and finished goods. Raw materials primarily include plastic resin and packaging material. Finished goods are products manufactured by our Group, which include but not limited to plastic sports bottles and plastic bottles and cups for infants and toddlers. Our inventories accounted for approximately 22.9%, 19.6% and 26.3% of our total assets as at 31 December 2015, 2016 and 2017, respectively.

We maintain close relationship with our customers and some of our customers may inform us as to their upcoming purchase schedules. Based on their upcoming purchase schedules, we set our production schedule and procure raw materials. We aim to avoid high inventory levels and endeavour to procure raw materials based on orders, production schedules and actual inventory levels. Nonetheless, for raw materials which are frequently used in a wide variety of our products,

such as plastic resin, we maintain around one to two months worth of inventories, depending on factors including available of resources and demand for production. The following table is a summary of the balance of our inventories as at 31 December 2015, 2016 and 2017:

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Raw materials	15,796	11,069	13,073
Work in progress	7,659	7,658	9,563
Finished goods	12,587	9,834	20,091
	36,042	28,561	42,727
Average inventories turnover days[#]	79 days	66 days	89 days

[#] *Note:* Average inventories turnover days is calculated based on the average of the opening and ending balances of inventories for the year divided by the cost of sales for the year and multiplied by the number of days for the year (i.e. 365 days for each of the years ended 31 December 2015 and 2017 and 366 days for the year ended 31 December 2016).

The inventory level decreased from approximately HK$36.0 million as at 31 December 2015 to approximately HK$28.6 million as at 31 December 2016 due to (i) lower inventories of raw material given the expected lower sales in the month of January 2017 as compared with sales in the month of January 2016; and (ii) lower inventories of finished goods given the higher sales in the fourth quarter of 2016 as compared with sales in the fourth quarter of 2015. The inventory level increased to approximately HK$42.7 million as at 31 December 2017 primarily due to higher inventories of finished goods as at 31 December 2017 as we expected higher sales in the month of January 2018 as compared with sales in the month of January 2017.

Average inventories turnover days were approximately 79 days, 66 days and 89 days for each of the years ended 31 December 2015, 2016 and 2017, respectively. The decrease in average inventories turnover days from approximately 79 days for the year ended 31 December 2015 to approximately 66 days for the year ended 31 December 2016 was mainly attributable to the increase in our cost of sales for the year ended 31 December 2016. The increase in average inventories turnover days from approximately 66 days for the year ended 31 December 2016 to approximately 89 days for the year ended 31 December 2017 was primarily due to (i) the decrease in cost of sales in 2017 as compared with that in 2016; and (ii) the higher average inventories level for the year ended 31 December 2017 as compared with that for the year ended 31 December 2016.

Up to 31 March 2018, approximately HK$30.6 million, representing approximately 71.7% of our inventories as at 31 December 2017 were subsequently consumed or sold.

We did not write off any inventory for obsolescence during the Track Record Period.

Trade and other receivables

Our trade and other receivables amounted to approximately HK$33.9 million, HK$31.2 million and HK$27.6 million, representing approximately 21.5%, 21.5% and 17.0% of our total assets as at 31 December 2015, 2016 and 2017, respectively. Breakdown of our trade and other receivables as at 31 December 2015, 2016 and 2017 are as follows:

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Trade receivables			
— third parties	30,149	28,951	27,278
— related parties	731	—	16
	30,880	28,951	27,294
Other receivables	3,064	2,273	335
	33,944	31,224	27,629

Trade receivables

The trade receivables of approximately HK$29.0 million as at 31 December 2016 was comparable with that of approximately HK$30.9 million as at 31 December 2015. The trade receivables of approximately HK$27.3 million as at 31 December 2017 was comparable to that as at 31 December 2016 as our sales in the month of December 2017 was comparable to that in the month of December 2016.

The credit period of our trade receivables generally ranges from 30 to 90 days. The following table sets out the ageing analysis of our trade receivables by invoice date as at 31 December 2015, 2016 and 2017:

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
0–30 days	22,124	18,834	20,605
31–60 days	6,156	5,937	4,170
61–90 days	1,676	2,280	1,336
Over 90 days	924	1,900	1,183
	30,880	28,951	27,294
Average trade receivables turnover days[#]	41 days	41 days	45 days

[#] *Note:* Average trade receivables turnover days is calculated based on the average of the opening and ending balances of trade receivables for the year divided by the revenue for the year and multiplied by the number of days for the year (i.e. 365 days for each of the years ended 31 December 2015 and 2017 and 366 days for the year ended 31 December 2016).

For our OEM Business customers, we normally give a credit term ranging from 30 to 90 days for payment of our invoice and, for our Yo Yo Monkey Business customers, we normally give a credit term ranging from 30 to 90 days for payment of our invoice. Our Group had not experienced any material difficulties in collecting payments from our customers during the Track Record Period, the trade receivables aged within 90 days accounted for approximately 97.0%, 93.4% and 95.7% of total trade receivables as at 31 December 2015, 2016 and 2017, respectively.

As at 31 March 2018, approximately HK$25.1 million, representing approximately 92.0% of the trade receivables outstanding as at 31 December 2017 had been received.

Average trade receivables turnover days were approximately 41 days, 41 days and 45 days for each of the years ended 31 December 2015, 2016 and 2017, respectively. Our average trade receivables turnover days remained relatively stable during the Track Record Period. The increase in average trade receivables turnover days for the year ended 31 December 2017 as compared with that for the year ended 31 December 2016 was primarily due to the decrease in our revenue in 2017.

The following table sets out the ageing analysis of our trade receivables that are not considered to be impaired as at 31 December 2015, 2016 and 2017:

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Less than 30 days past due	5,246	5,996	3,128
31–60 days past due	112	1,227	1,139
61–90 days past due	—	1,728	105
Over 90 days past due	888	208	257
Past due but not impaired	6,246	9,159	4,629
Neither past due nor impaired	24,634	19,792	22,665
	30,880	28,951	27,294

The trade receivables which were past due but not impaired primarily relate to customers for whom there are no significant financial difficulties and, based on past experience, the overdue amounts can be recovered. As at 31 December 2015, 2016 and 2017, (i) the majority of our trade receivables were neither past due nor impaired; and (ii) the majority of our trade receivables that were past due but not impaired were less than past due for 30 days. Our management reviews our trade receivables for objective evidence that our Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the receivable is impaired. As at 31 December 2015, 2016 and 2017, no provision for impaired trade receivables were made by our Group.

Other receivables

Our other receivables include receivables from third parties and employees. Our other receivables amounted to approximately HK$3.1 million, HK$2.3 million and HK$0.3 million as at 31 December 2015, 2016 and 2017, respectively.

Deposits and prepayments

The following table sets out a breakdown of our deposits and prepayments as at 31 December 2015, 2016 and 2017.

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	**HK$'000**	**HK$'000**
Prepayments			
— Inventories	1,248	1,978	8,035
— [REDACTED]	—	—	[REDACTED]
— Others	365	262	1,532
	1,613	2,240	12,615
Utilities and other deposits	60	68	348
	1,673	2,308	12,963

Our prepayments for inventories principally comprised prepayments placed with mould subcontractors, where the higher amount as at 31 December 2017 was in anticipation of new product development for our OEM Business in 2018.

Trade and bills and other payables

Our trade and bills and other payables amounted to approximately HK$36.5 million, HK$27.5 million and HK$43.2 million, representing approximately 43.5%, 43.9% and 71.8% of our total liabilities, as at 31 December 2015, 2016 and 2017, respectively. Breakdown of our trade and bills and other payables as at 31 December 2015, 2016 and 2017 are as follows:

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Trade payables			
— third parties	17,030	12,920	18,737
— related party	4,330	1,963	—
	21,360	14,883	18,737
Bills payable	—	—	2,881
Receipts in advance	6,429	5,202	10,668
Accrued payroll	5,571	5,940	6,452
Accruals and other payables	3,132	1,465	4,437
	36,492	27,490	43,175

Trade and bills payables

Our trade payables are mainly those to third parties and the remaining were to a related party, namely Tat Fung Industrial. We primarily purchase plastic resin from third parties and primarily purchase printing and packaging materials from the related party. The decrease in trade payables to third parties from approximately HK$17.0 million as at 31 December 2015 to approximately HK$12.9 million as at 31 December 2016 was mainly due to lower amount of plastic resin purchases made by our Group in the month of December 2016 as compared to purchases made in the month of December 2015, as our expected sales in the month of January 2017 was lower comparing to the sales in the month of January 2016. The increase in trade payables to third parties from approximately HK$12.9 million as at 31 December 2016 to approximately HK$18.7 million as at 31 December 2017 was mainly due to higher amount of plastic resin purchases made by our Group in the month of December 2017 as compared to that in the month of December 2016, as our expected sales in the month of January 2018 was higher as compared with the sales in the month of January 2017. Our trade payables to related party declined as at 31 December 2015, 2016 and 2017, which was in line with our decreasing trend of purchase from the related party.

Bills payables represent an arrangement with a bank for the payment to our suppliers. We utilised banking facilities in 2017 and our bills payables amounted to approximately nil, nil and HK$2.9 million as at 31 December 2015, 2016 and 2017, respectively.

The following table sets out the aged analysis of the trade and bills payables based on invoice date as at 31 December 2015, 2016 and 2017:

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Trade payables			
0–60 days	16,817	12,486	14,382
61–90 days	232	1,086	331
Over 90 days	4,311	1,311	4,024
	21,360	14,883	18,737
Bills payables			
0–90 days	—	—	2,881
	21,360	14,883	21,618
Average trade and bills payables turnover days[#]	52 days	37 days	46 days

[#] *Note:* Average trade and bills payables turnover days is calculated based on the average of the opening and ending balances of trade and bills payables for the year divided by the cost of sales for the year and multiplied by the number days for the year (i.e. 365 days for each of the years ended 31 December 2015 and 2017 and 366 days for the year ended 31 December 2016).

Our purchase of raw materials were generally settled on an open account basis with credit term of 30 days. The trade payables aged within 60 days accounted for approximately 78.7%, 83.9% and 76.8% of our total trade payables as at 31 December 2015, 2016 and 2017, respectively. Average trade and bills payables turnover days were approximately 52 days, 37 days and 46 days for each of the years ended 31 December 2015, 2016 and 2017, respectively. The decrease of average trade and bills payables turnover days from approximately 52 days for the year ended 31 December 2015 to approximately 37 days for the year ended 31 December 2016 was primarily attributable to the increase in cost of sales from approximately HK$145.3 million for the year ended 31 December 2015 to approximately HK$180.1 million for the year ended 31 December 2016. The average trade and bills payable turnover days increased to approximately 46 days for the year ended 31 December 2017 mainly due to our cost of sales decreased from approximately HK$180.1 million for the year ended 31 December 2016 to approximately HK$146.1 million for the year ended 31 December 2017 while average trade and bills payables for 2017 was comparable to that for 2016 in 2017.

As at 31 March 2018, approximately 76.6% of the trade and bills payables as at 31 December 2017 had been settled.

Other payables

Our other payables during the Track Record Period include receipts in advance, accrued payroll and accruals and other payables.

Receipts in advance primarily related to prepayment made by our customers.

Accrued payroll primarily related to year-end bonuses payable to employees.

Accruals and other payables primarily related to accruals for maintenance and improvement of our factory and accruals for utilities.

Property, plant and equipment

The carrying amount of our property, plant and equipment amounted to approximately HK$38.0 million, HK$31.9 million and HK$32.3 million, respectively, representing approximately 24.1%, 21.9% and 19.9% of our total assets, as at 31 December 2015, 2016 and 2017, respectively. We did not own, but leased, the premise of our Production Base during the Track Record Period. Plants and machinery accounted for approximately 69.2%, 71.4% and 64.2% of our property, plant and equipment as at 31 December 2015, 2016 and 2017, respectively. The decrease in the carrying amount of property, plant and equipment was mainly attributable to the depreciation provided for property, plant and equipment, which amounted to approximately HK$8.3 million and HK$6.1 million for each of the years ended 31 December 2016 and 2017, respectively. The carrying amount of property, plant and equipment as at 31 December 2016 was slightly lower than that as at 31 December 2017 due to the disposal of aged machinery of approximately HK$3.6 million in 2016. The carrying amount of property, plant and equipment as at 31 December 2017 was comparable to that as at 31 December 2016.

CAPITAL EXPENDITURE

Historical capital expenditure

The following table sets out our gross addition of property, plant and equipment during the Track Record Period.

	For year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Plants and machinery	1,840	3,901	2,273
Office equipment	6	542	2,612
Buildings and decoration	759	—	220
Others[#]	655	—	366
Total	3,260	4,443	5,471

[#] *Note:* Others mainly include motor vehicles.

Future capital expenditure

For our future capital expenditure, please refer to the section headed "Future plans and [REDACTED]" in this document.

TRANSACTIONS WITH RELATED PARTIES

For each of the years ended 31 December 2015, 2016 and 2017, we have entered into related party transactions with certain related parties of our Group [REDACTED] out in the Note 25 of the Accountant's Report in Appendix I to this document, among which Tat Fung Industrial, being our largest supplier during the Track Record Period, supplied printing and packaging materials to our Group. For each of the years ended 31 December 2015, 2016 and 2017, our procurement amount from Tat Fung Industrial was approximately HK$28.8 million, HK$26.5 million and HK$17.5 million, respectively.

With respect to the related party transactions as set out in Note 25 of the Accountant's Report in the Appendix I to this document, our Directors confirm that the transactions were conducted on normal commercial terms and 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. Our Directors also confirm that these related party transactions were conducted on arm's length basis and would not distort our results during the Track Record Period or make our historical results not reflective of our future performance.

BALANCES WITH RELATED PARTIES

The following table sets out our balances of amounts due from/to related parties as at 31 December 2015, 2016 and 2017 and as at 31 March 2018.

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)
Amount due from Mr. Chau[1]	—	4,042	—	—
Amount due from Mr. Chung[1]	6,050	6,050	—	—
Amount due from a related company — Tat Fung[1]	2	—	—	—
Total amount due from related parties	6,052	10,092	—	—
Amount due to Mr. Chau[1]	13,509	—	—	—
Amount due to related companies				
— Century Project Inc.[1] and [3]	12,074	12,074	12,074	12,074
— Penghui[2]	14,133	15,109	—	—
— Tat Fung[1]	1,200	1,200	1,200	1,200
— Others[2]	1,320	2,284	587	586
	28,727	30,667	13,861	13,860
Total amount due to related parties	42,236	30,667	13,861	13,860

Notes:

1. The balances are non-trade in nature, unsecured, interest-free and repayable on demand.

2. The balances are non-trade in nature, unsecured and interested-free.

3. The amount of approximately HK$12.1 million is a loan due from On Gain (our wholly-owned subsidiary) to Century Project Inc., a company incorporated in the BVI and jointly owned by Mr. Chung and his spouse.

All of our balances with related parties that were non-trade in nature had been fully settled and discharged as at the Latest Practicable Date.

NET CURRENT ASSETS

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)
Current assets				
Inventories	36,042	28,561	42,727	49,151
Trade and other receivables	33,944	31,224	27,629	13,884
Deposits and prepayments	1,673	2,308	12,963	12,801
Amounts due from shareholders	6,050	10,092	—	—
Amount due from a related company	2	—	—	—
Tax recoverable	—	—	—	2,587
Pledged time deposits	—	—	10,000	10,000
Cash and bank balances	41,996	41,319	36,560	30,357
	119,707	113,504	129,879	118,780
Current liabilities				
Trade and other payables	36,492	27,490	40,294	33,490
Bills payable	—	—	2,881	5,689
Amount due to a shareholder	13,509	—	—	—
Amounts due to related companies	28,727	30,667	13,861	13,860
Tax payable	3,579	4,493	3,079	—
	82,307	62,650	60,115	53,039
Net current assets	37,400	50,854	69,764	65,741

As at 31 December 2015, 2016 and 2017, and 31 March 2018, current assets primarily comprised cash and bank balances, inventories and trade and other receivables, whereas current liabilities primarily comprised trade and other payables and amount due to related companies.

Our net current assets increased from approximately HK$37.4 million as at 31 December 2015 to approximately HK$50.9 million as at 31 December 2016, which was mainly due to the improved working capital status as a result of the net profit for the year ended 31 December 2016 of approximately HK$31.4 million. The improvement in working capital has been reflected in, among others, (i) the repayment of amount due to a shareholder of approximately HK$13.5 million as at 31 December 2015 in 2016; and (ii) the decrease in trade and other payables from approximately HK$36.5 million as at 31 December 2015 to approximately HK$27.5 million as at 31 December 2016.

Our net current assets increased from approximately HK$50.9 million as at 31 December 2016 to approximately HK$69.8 million as at 31 December 2017, which was mainly due to the improved working capital status as a result of the net profit for the year ended 31 December 2017 of approximately HK$17.5 million. The improvement in working capital has been reflected mainly in, among others, the payment of amount due to related companies of approximately HK$16.8 million in 2017. Our net current assets was approximately HK$65.7 million as at 31 March 2018 and remained stable as compared with approximately HK$69.8 million as at 31 December 2017.

WORKING CAPITAL

Our Directors are of the opinion that, taking into account the financial resources available to our Group, particularly the funds generated from our operations and the estimated [REDACTED] from the [REDACTED], our Group has sufficient working capital for its present requirements and for the next 12 months from the date of this document.

LIQUIDITY AND FINANCIAL RESOURCES

The primary uses of cash by our Group are to satisfy our working capital and capital expenditure needs. During the Track Record Period, we have been primarily financed through cash generated from our operations. Our cash and cash equivalents amounted to approximately HK$42.0 million, HK$41.3 million and HK$36.6 million as at 31 December 2015, 2016 and 2017, respectively. We also had unutilised banking facilities of approximately HK$4.3 million as at 31 March 2018. Our Directors confirmed that our Group did not experience any difficulty in financing during the Track Record Period.

On the basis that (i) our Group had been able to finance through cash generated from our operations during the Track Record Period; (ii) our working capital positions as at 31 December 2015, 2016 and 2017; (iii) unutilised banking facilities; and (iv) our [REDACTED] from the [REDACTED], our Directors consider that our Group is not expected to experience material difficulty in financing in the foreseeable future.

The following table is a summary of our combined statements of cash flows during the Track Record Period.

	For the year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Net cash generated from operating activities	48,998	41,304	9,569
Net cash used in investing activities	(3,249)	(8,472)	(5,328)
Net cash used in financing activities	(40,428)	(33,509)	(9,000)
Net increase/(decrease) in cash and cash equivalents during the year	5,321	(677)	(4,759)
Cash and cash equivalents at beginning of the year	36,675	41,996	41,319
Cash and cash equivalents at end of the year	41,996	41,319	36,560

Operating activities

Year ended 31 December 2015

For the year ended 31 December 2015, net cash generated from operating activities amounted to approximately HK$49.0 million. Profit before income tax for the same year was approximately HK$54.9 million. The difference of approximately HK$5.9 million was mainly attributable to (i) depreciation of property, plant and equipment of approximately HK$8.7 million; (ii) change in working capital; and (iii) income tax paid of approximately HK$4.8 million. Change in working capital primarily consisted of (a) the increase in inventories of approximately HK$9.0 million; (b) the increase in trade and other receivables of approximately HK$7.8 million; and (c) the increase in trade and other payables of approximately HK$4.1 million.

Year ended 31 December 2016

For the year ended 31 December 2016, net cash generated from operating activities amounted to approximately HK$41.3 million. Profit before income tax for the same year was approximately HK$39.9 million. The difference of approximately HK$1.4 million was mainly attributable to (i) depreciation of property, plant and equipment of approximately HK$8.3 million; (ii) change in working capital; and (iii) income tax paid of approximately HK$9.0 million. Change in working capital primarily consisted of (a) the decrease in trade and other payables of approximately HK$9.0 million; (b) the decrease in inventories of approximately HK$7.5 million; and (c) the decrease in trade and other receivables of approximately HK$2.7 million.

Year ended 31 December 2017

For the year ended 31 December 2017, net cash generated from operating activities amounted to approximately HK$9.6 million. Profit before income tax for the same year was approximately HK$24.2 million. The difference of approximately HK$14.6 million was mainly attributable to (i) depreciation of property, plant and equipment of approximately HK$6.1 million; (ii) change in working capital; and (iii) income tax paid of approximately HK$8.1 million. Change in working capital primarily consisted of (a) the decrease in amount due to related companies of approximately HK$7.8 million; (b) the decrease in inventories of approximately HK$14.2 million; (c) the increase in trade and other payables of approximately HK$12.8 million; and (d) the increase in deposits and prepayments of approximately HK$10.7 million.

Investing activities

Year ended 31 December 2015

Our net cash used in investing activities was approximately HK$3.2 million for the year ended 31 December 2015, primarily attributable to purchases of property, plant and equipment of approximately HK$3.3 million.

Year ended 31 December 2016

Our net cash used in investing activities was approximately HK$8.5 million for the year ended 31 December 2016, primarily attributable to (i) purchases of property, plant and equipment of approximately HK$4.4 million; and (ii) the increase in amounts due from shareholders of approximately HK$4.0 million.

Year ended 31 December 2017

Our net cash used in investing activities was approximately HK$5.3 million for the year ended 31 December 2017, primarily attributable to (i) the decrease in amounts due from Shareholders of approximately HK$10.0 million; (ii) the pledged time deposits of HK$10.0 million placed for bills facility; and (iii) purchases of property, plant and equipment of approximately HK$5.5 million.

Financing activities

Year ended 31 December 2015

Our net cash used in financing activities was approximately HK$40.4 million for the year ended 31 December 2015, primarily attributable to the payment of dividend of HK$40.0 million during the year.

Year ended 31 December 2016

Our net cash used in financing activities was approximately HK$33.5 million for the year ended 31 December 2016, primarily attributable to (i) the payment of dividend of HK$20.0 million; and (ii) the decrease in amounts due to a shareholder of approximately HK$13.5 million during the year.

Year ended 31 December 2017

Our net cash used in financing activities was approximately HK$9.0 million for the year ended 31 December 2017, attributable to decrease in amounts due to a related company of approximately HK$9.0 million.

INDEBTEDNESS

Bank borrowings

We did not raise any bank borrowing during the Track Record Period. As at 31 March 2018, being the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the publication of this document, we did not have any bank borrowing. We had unutilised banking facilities of approximately HK$4.3 million as at 31 March 2018.

Amounts due to related parties

As at 31 March 2018, our Group had certain balances due to related parties which were non-trade in nature. For details, please refer to the section headed "Balances with related parties" under the section headed "Financial information" in this document.

Pledge of assets

Save for the pledged time deposits of HK$10.0 million for our banking facilities as at 31 December 2017, none of the assets of our Group were pledged during the Track Record Period and up to 31 March 2018.

Contingent liabilities

As at the 31 March 2018, our Group had no material contingent liabilities, where our Group was not involved in any material legal proceedings, nor was aware of any pending or potential material legal proceedings involving our Group.

Loan from an independent third party

On 11 May 2018, we entered into a loan agreement with an independent third party and were granted with an unsecured interest-bearing loan amounted to HK$12.0 million carrying a fixed interest rate of 5% per annum due on 9 July 2018 for our short term financing.

Save as disclosed in this document, our Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at the Latest Practicable Date.

Our Directors confirm that there have been no material changes in the indebtedness and contingent liabilities since 31 March 2018.

COMMITMENTS

The following table sets out our operating lease commitments as at 31 December 2015, 2016 and 2017.

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
No later than one year	2,886	2,819	3,730
Between one year and five years	8,300	6,298	6,993
	11,186	9,117	10,723

Our operating lease commitments were mainly related to future aggregate minimum lease payments under non-cancellable operating leases for leases of our Production Base in the PRC and our headquarters in Hong Kong.

Save for the above, we had not entered into any off-balance sheet transaction during the Track Record Period and up to the Latest Practicable Date.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

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

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on 9 March 2017. No distributable reserves were available for distribution to the Shareholders as at 31 December 2017.

DIVIDEND

Our Group currently does not have a fixed dividend policy. The form, frequency and amount of future dividends on our Shares will be at the discretion of our Directors and will depend on factors such as the profitability, financial condition, business development requirements, future prospects and cash requirements of our Group. Moreover, dividend declaration and payment, as well as the amount of dividends, will also be subject to, amongst others, the requirements under the Articles of our Company and the Companies Law, including the approval of our Shareholders and our Directors.

During the Track Record Period, a subsidiary of our Company declared and paid cash dividends to its then shareholders of HK$40.0 million and HK$20.0 million during each of the years ended 31 December 2015 and 2016, respectively. During the Track Record Period and up to the Latest Practicable Date, our Group did not declare any dividend other than the aforesaid. Nonetheless, as detailed in the paragraph headed "Our Company is a holding company and relies on dividends paid by our subsidiaries for our funding requirements" in the section headed "Risk factors" in this document, there is no assurance that our Company will make any dividend payments on the Shares at a similar level to the past or at all in the future.

FINANCIAL RATIOS

	As at/For the year ended 31 December		
	2015	2016	2017
Current ratio[(1)]	1.5	1.8	2.2
Quick ratio[(2)]	1.0	1.4	1.5
Gearing ratio[(3)]	—	—	—
Return on equity ratio[(4)]	71.4%	40.1%	18.9%
Return on total assets ratio[(5)]	33.0%	20.7%	11.4%

Notes:

1. Calculated by dividing current assets by current liabilities as at the end of the relevant year.

2. Calculated by dividing current assets less inventories by current liabilities as at the end of the relevant year.

3. Calculated by dividing total borrowings by total equity as at the end of the relevant year and multiplied by 100%.

4. Calculated by dividing net profit for the relevant year by the average of the total equity as at the beginning and as at the end of the relevant year and multiplied by 100%.

5. Calculated by dividing net profit for the relevant year by the average of the total assets as at the beginning and as at the end of the relevant year and multiplied by 100%.

Current ratio

The increase of our current ratio from approximately 1.5 as at 31 December 2015 to approximately 1.8 as at 31 December 2016 was primarily due to (i) our payback of an amount due to our shareholder of approximately HK$13.5 million as at 31 December 2015; and (ii) the decrease in trade payables from approximately HK$21.4 million as at 31 December 2015 to approximately HK$14.9 million as at 31 December 2016. The increase of our current ratio from approximately 1.8 as at 31 December 2016 to approximately 2.2 as at 31 December 2017 was primarily due to (i) the increase in inventory from approximately HK$28.6 million as at 31 December 2016 to approximately HK$42.7 million as at 31 December 2017; and (ii) the decrease in amounts due to related companies from approximately HK$30.7 million as at 31 December 2016 to approximately HK$13.9 million as at 31 December 2017.

Quick ratio

The increase of our quick ratio from approximately 1.0 as at 31 December 2015 to approximately 1.4 as at 31 December 2016 was primarily due to same reasons that caused the fluctuation of current ratio during the same period. The slight increase of our quick ratio from approximately 1.4 as at 31 December 2016 to approximately 1.5 as at 31 December 2017 was primarily due to the increase in cash at bank from approximately HK$40.9 million as at 31 December 2016 to approximately HK$45.9 million as at 31 December 2017.

Gearing ratio

Our gearing ratio was nil, nil and nil as of 31 December 2015, 2016 and 2017 as we did not raise any bank borrowing during the Track Record Period.

Return on equity ratio

Our return on equity ratio decreased from approximately 71.4% for the year ended 31 December 2015 to approximately 40.1% for the year ended 31 December 2016 primarily due to the decline in our net profit from approximately HK$49.3 million for the year ended 31 December 2015 to approximately HK$31.4 million for the year ended 31 December 2016. Our return on equity ratio further decreased to approximately 18.9% for the year ended 31 December 2017 primarily due to (i) the decline in our net profit from approximately HK31.4 million for the year ended 31 December 2016 to approximately HK$17.5 million for the year ended 31 December 2017; and (ii) higher average total equity attributable to owners of our Company for the year ended 31 December 2017.

Return on total assets ratio

Our return on total assets ratio decreased from approximately 33.0% for the year ended 31 December 2015 to approximately 20.7% for the year ended 31 December 2016 primarily due to the decline in our net profit from approximately HK$49.3 million for the year ended 31 December 2015 to approximately HK$31.4 million for the year ended 31 December 2016 while the average total assets remained stable. Our return on assets ratio further decreased to approximately 11.4% for the

year ended 31 December 2017 primarily due to the decline in our net profit from approximately HK31.4 million for the year ended 31 December 2016 to approximately HK$17.5 million for the year ended 31 December 2017 while the average total assets for the year remained stable.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Foreign exchange risk

Our Group's foreign currency transactions are mainly denominated in United States dollars ("**USD**"), Chinese Renminbi ("**RMB**") and HK$. The majority of assets and liabilities are denominated in USD, RMB and HK$, and there are no significant assets and liabilities denominated in other currencies. Our Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than USD, RMB or HK$, which are the functional currencies of the major operating companies now comprising our Group. The foreign exchange risk exposure on US dollars is not significant to our Group as Hong Kong dollar is pegged with US dollar under the existing Hong Kong economic environment.

The exchange rate of RMB to HK$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government. Our Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

For companies with RMB as their functional currency, their businesses are principally conducted in RMB. The fluctuation of the exchange rates of RMB against foreign currencies has a limited impact on these companies' results of operations.

Credit risk

The credit risk of our Group mainly arises from cash and bank balances, pledged time deposits, trade and other receivables, and deposits and prepayments. Our Group monitors the credit rating of its bank.

Majority of our Group's trade receivables are from individual OEM Business customer and are transacted in credit. As at 31 December 2015, 2016 and 2017, the top two debtors accounted for approximately 75%, 63% and 59% respectively, of our Group's trade receivables balances. Our Group has set up long-term cooperative relationship with these debtors. In view of the history of business dealing with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in our Group's outstanding receivable balances due from these debtors. Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether they are any disputes with the debtors. The directors consider our Group's credit risk of these receivables to be low.

For amounts due from related companies, the directors are of the opinion that the credit risk is low due to the sound collection history of the receivables due from them.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. It is the policy of our Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities.

The tables below analyse our Group's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Less than 1 year
	HK$'000
At 31 December 2015	
Trade and other payables	28,408
Amount due to a shareholder	13,509
Amounts due to related companies	28,727
	70,644
At 31 December 2016	
Trade and other payables	22,191
Amounts due to related companies	30,667
	52,858
At 31 December 2017	
Trade and other payables	23,730
Bills payables	2,881
Amounts due to related companies	13,861
	40,472

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

An unaudited [REDACTED] statement of adjusted net tangible assets of our Group, which was based on the net tangible assets attributable to equity shareholders of our Company as at 31 December 2017 as set out in the Accountant's Report and prepared in accordance with Rule 4.29 of the Listing Rules, is set out in Appendix II to this document.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2017 and there is no event since 31 December 2017, including any shortfall of working capital or deteriorating cash position after the Track Record Period, which would materially affect the information shown in the Accountant's Report.

Please refer to the paragraphs headed "Business strategies" under the section headed "Business" in this document for a detailed description of our future plans.

[REDACTED]

We estimate that the aggregate [REDACTED] to us from the [REDACTED], after deducting related [REDACTED] fees and estimated expenses in connection with the [REDACTED], assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range of HK$[REDACTED] to HK$[REDACTED]), will be approximately HK$[REDACTED]. Our Directors presently intend to apply such [REDACTED] as follows:

- approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used to upgrade our existing facilities and production machineries, of which (i) HK$[REDACTED] will be used to acquire new machines and equipment including injection machines, 3D printers, CNC machinery and robotic automation equipment; (ii) HK$[REDACTED] to upgrade our general facilities; and (iii) HK$[REDACTED] to upgrade our IT infrastructure;

- approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used to develop our Yo Yo Monkey Business of which (i) HK$[REDACTED] in marketing and promotional activities including participating in various major trade shows and events, in setting up a website for our "Yo Yo Monkey (優優馬騮)" brand and to engage in both online and offline promotional activities; (ii) HK$[REDACTED] to set up a sales office in Guangzhou in the PRC; and (iii) HK$[REDACTED] to hire two additional sales personnel;

- approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used to develop our OEM business, of which (i) HK$[REDACTED] will be used to participate in various major trade shows and marketing activities; and (ii) HK$[REDACTED] to hire three additional personnel;

- approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used to improve our product development capabilities, of which (i) HK$[REDACTED] will be used in engaging reputable industrial designers; and (ii) HK$[REDACTED] to hire one additional staff for product development for both our OEM Business and Yo Yo Monkey Business; and

- approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used as working capital and administrative expenses.

Our Group intends to utilise the [REDACTED] based on the expected time frame as follows:

	For the six months ending 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019	For the six months ending 30 June 2020	Total	Approximate percentage of [REDACTED]
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	
Expansion of our production capabilities						
1. Acquiring new machineries						
— Injection machines	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
— 3D printers	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
— CNC machineries	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
— Robotic automation equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
2. Upgrading our general facilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
3. Upgrading IT infrastructure	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Subtotal	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Develop our Yo Yo Monkey Business						
1. Increasing our brand awareness	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
2. Setting up a sales office	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
3. Hiring additional sales staff	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Subtotal	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Strengthen our OEM Business client base						
1. Increasing awareness of our OEM business	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
2. Hiring additional sales manager	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Subtotal	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further expand our product development capabilities						
1. Engaging industrial designers	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
2. Hiring additional product development staff	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Subtotal	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED] range stated in this document.

If the [REDACTED] is fixed at the high-end of the indicative [REDACTED] range, being HK$[REDACTED] per [REDACTED], the net [REDACTED] we receive from the [REDACTED] will increase by approximately HK$[REDACTED]. If the [REDACTED] is set at the low-end of the indicative [REDACTED] range, being HK$[REDACTED] per [REDACTED], the [REDACTED] we receive from the [REDACTED] will decrease by approximately HK$[3.8] million.

To the extent that the [REDACTED] are not immediately applied to the above purposes due to any factors, and to the extent permitted by applicable laws and regulations, we will carefully evaluate the situations and it is our present intention to deposit the [REDACTED] into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

We will issue an announcement in the event that there is any material change in the [REDACTED] of the [REDACTED] as described above.

REASONS FOR THE [REDACTED]

Our Directors consider that (i) the [REDACTED] is beneficial to our Company and its Shareholders as a whole; and (ii) the timing of the [REDACTED] is suitable after having considered the following principal factors:

(i) as at the Latest Practicable Date, the average age of our moulding machines and printing machines was approximately six years and seven years, respectively. Based on the expected useful life of 10 years, which is the duration adopted by us to calculate depreciation of machinery, the average remaining useful lives of our moulding machines and printing machines as at the Latest Practicable Date was approximately four years and three years, respectively. We consider that an upgrade of our aged machinery by acquiring new models of machinery with high processing speed and production and energy efficiency is necessary to strengthen our competitiveness in the industry, reduce production lead time and improve our overall profitability;

(ii) notwithstanding the fact that our revenue recorded a decline for the year ended 31 December 2017 as compared with that for the year ended 31 December 2016, our Directors consider that there will be sufficient market demand for our products, in particular, for products of our OEM Business, for the following reasons: (i) as discussed in more details in the section headed "Financial information" and the paragraphs headed "Summary — Recent development and material adverse change" in this document, the decline in revenue of our Group in 2017 was due to reasons which, in our Directors' view, will not have a long-term adverse impact on our OEM Business; (ii) we have made various efforts to solicit sales orders from customers of our OEM Business which have already placed purchase orders for certain new model of products; (iii) we have obtained a confirmation from TOMY which indicated that it believes its procurement amount from our Group in year 2018 is not expected to be materially lower than that in year 2017, where our revenue from TOMY amounted to approximately HK$66.0 million for the year ended 31 December 2017; (iv) we have obtained a procurement forecast from Customer A for year 2018, from which we understood that the procurement amount of Customer A from our Group in year 2018 is expected to recover to a level around that in year 2016 of around HK$120 million; (v) the value sales of plastic shaker bottles in the US, being one of the key products of our OEM Business, are expected to grow at a CAGR of

approximately 9.6% from 2017 to 2022, according to the Euromonitor Report; and (vi) despite the decline in revenue from our OEM Business in 2017, revenue from our Yo Yo Monkey Business achieved substantial growth during the Track Record Period which demonstrated a large growth potential of our "Yo Yo Monkey (優優馬騮)" brand products in the PRC market;

(iii) our Yo Yo Monkey Business achieved substantial growth during the Track Record Period at a CAGR of approximately 85.5%. According to the Euromonitor Report, (i) due to the abolishment of the one-child policy in the PRC, as well as a stable and growing birth rate, the total retail value sales of the plastic bottles, cups and tableware for infants and toddlers market in the PRC is expected to grow at a CAGR of approximately 7.5% from 2017 to 2022; (ii) the plastic baby and toddler bottles and feeding accessories market in the PRC is mainly led by foreign brands which are perceived as being safe and high quality and target the high-end segment, while domestic brands generally focus on mass and the mid- to high-end market, and it is expected that domestic brands will further gain market share in the future; and (iii) domestic brands in the PRC have gradually gained market share from foreign brands in the recent years and the market share of domestic brands was approximately 25.3% in 2017, which is expected to reach approximately 34.7% in 2022. Our "Yo Yo Monkey (優優馬騮)" brand products are designed to target the mid-to-high-end market in the PRC. In respect of the differentiation of our "Yo Yo Monkey (優優馬騮)" brand products from other domestic brands in the PRC market, our Directors consider the following factors:

- our on-going efforts to further increase the brand awareness of our products given that a well established brand name is essential for consumer goods, particularly for consumer goods targeting the mid-to-high-end market. We have already registered the trademarks of our "Yo Yo Monkey (優優馬騮)" brand in the PRC and we will continue to incorporate the brand images on the products of our "Yo Yo Monkey (優優馬騮)" brand. Going forward, as part of our business plan, we will apply a portion of our [REDACTED] from the [REDACTED] to engage in trade shows and a series of both online and offline promotional activities (such as the circulation of advertising materials through our new website and other marketing channels) and to set up a new sales office in order to allow us to gain opportunities to showcase and market our products to the public in the PRC, which in turn allows our products to stand out and have better impression as an attractive and reliable mid-to-high-end brand among the domestic brands;

- our continuous efforts in improving product quality, as our "Yo Yo Monkey (優優馬騮)" brand products target the infant and toddler product market, we have placed great emphasis on the quality and safety of our products. In particular, our products adhere to various international standards and have passed various chemical and physical tests. To differentiate us from other domestic brands, we will continue to focus on product quality and safety and market our "Yo Yo Monkey (優優馬騮)" brand as a quality and reliable brand. Our Group will apply a portion of our [REDACTED] from the [REDACTED] to expand our production capabilities to ensure our products can continue to maintain and improve our standard;

- our continuous efforts in improving our product development capabilities, through differentiating ourselves from other domestic brands in terms of product design and manufacturing skills, given that we have years of design and manufacturing experiences at our Production Base. With our own production facilities, we have better production flexibility, such as modifying product design details from time to time to cope with latest seasonal trends, and have better quality and cost control as compared with domestic brand owners which do not operate their own production facilities. Our management team have years of experience in the industry and had provided OEM services to a variety of international renowned corporations, whereas other domestic brands may not have such solid experience to leverage on; and

- we have a sales team comprising 71 employees as at the Latest Practicable Date, which is dedicated to visit and serve our distributor and retailer customers throughout the PRC from time to time, so that we are able to closely satisfy their needs in a timely manner and to expand our sales network.

For the year ended 31 December 2017, our "Yo Yo Monkey (優優馬騮)" brand took up a market share of (i) approximately 2.2% of the total plastic bottles, cups and tableware for the infants and toddlers market in the PRC among domestic players; and (ii) approximately 0.6% of the total plastic bottles, cups and tableware for the infants and toddlers market in the PRC among both international and domestic players. Our Directors believe our Yo Yo Monkey Business has growth potential, nonetheless the continuous development of our Yo Yo Monkey Business requires notable investment in, among others, marketing and promotional activities;

(iv) approximately [REDACTED] of our [REDACTED] from the [REDACTED] is expected to be utilised to improve our product development capabilities, particularly for the development of infant and toddler products, such as plastic bottles and cups, for our Yo Yo Monkey Business. We consider the development of our own product lines with professional designs is essential for the development of our Yo Yo Monkey Business in the long run. We plan to develop new models of plastic bottle and cups for infant and toddler for our "Yo Yo Monkey (優優馬騮)" brand and gradually launch them from the second half of 2018. Accordingly, we intend to utilise a proportion of our net proceeds from the Listing to engage external industrial designers as well as hire additional design staff. The features and detailed specifications of these new models have not been determined as at the Latest Practicable Date and will be discussed and finalised with the designers with reference to the then market trend after the Listing;

(v) our average monthly total costs and expenses (excluding depreciation and [REDACTED]) amounted to approximately HK$15.0 million, HK$18.0 million and HK$15.8 million per month for each of the years ended 31 December 2015, 2016 and 2017, respectively. Assuming an [REDACTED] of HK$[REDACTED] per Share (being the mid-point of the [REDACTED] range of HK$[REDACTED] to HK$[REDACTED]), the execution of our future plans would involve an amount of approximately HK$[REDACTED] (excluded the

amount assigned for general working capital), where such amount is not fully reflected in the aforesaid historical average monthly total costs and expenses as (i) such historical costs and expenses have not taken into account the amount for acquisition of equipment and machinery; and (ii) our future plans involve additional marketing efforts we wish to make in the future, such as setting up a new sales office and hiring additional staff. On top of our future plans, there may be other potential additional needs for funds, such as the further procurement of equipment and machinery to cater for customers' needs and industry trend. In addition, our balances due to related parties that are non-trade in nature, which in aggregate amounted to approximately HK$13.9 million as at 31 March 2018, had been settled by our internal cash resources as at the Latest Practicable Date. We had generated cash from operating activities during the Track Record Period and had cash and bank balances, including pledged time deposits, of approximately HK$46.6 million as at 31 December 2017. In view of (i) our historical costs and expenses; (ii) the amount involved in the execution of our future plans; (iii) our potential additional needs for funds; and (iv) our cash position, our Directors consider our cash position would be adversely affected if we carry out our future plans without the [REDACTED] from the [REDACTED];

(vi) our property, plant and equipment accounted for approximately 19.9% of our total assets as at 31 December 2017. The relatively low percentage was mainly due to the fact that our Group did not own the property interest of our Production Base. Our Directors consider that the core competencies of our Group lie in providing stable and high quality manufacturing services to our OEM Business customers and effectively marketing our own "Yo Yo Monkey (優優馬騮)" brand products in the PRC. As such, not owning the property interest of our Production Base would not adversely affect the operation and competitiveness of our Group. Moreover, we have entered into long term leases in respect of our Production Base to secure the continued usage of the premises;

(vii) through the [REDACTED] process and continuous compliance with the Listing Rules requirements, we can improve our corporate governance and at the same time improve our image among the public, thus enhance our ability to attract new customers;

(viii) a [REDACTED] status on the Stock Exchange facilitates our implementation of equity financing activities in the long run when funding is needed for our future operation and expansion;

(ix) with a [REDACTED] status on the Stock Exchange, our ability to hire, motivate and retain qualified employees can be improved, such as through the granting of stock options of our Shares to our key employees; and

(x) other means of financing our business strategies, including raising bank borrowings and inviting private investors may have drawbacks such as incurring interest expenses and requiring shareholders' charges or guarantees and may not be able to provide the benefits to our Group as mentioned in paragraphs (vii), (viii) and (ix) above.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

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STRUCTURE AND CONDITIONS OF THE [REDACTED]

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HOW TO APPLY FOR THE [REDACTED]

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HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the HKICPA.

羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MS GROUP HOLDINGS LIMITED AND FIRST SHANGHAI CAPITAL LIMITED

Introduction

We report on the historical financial information of MS Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-43, which comprises the combined statements of financial position as at 31 December 2015, 2016 and 2017, the Company statement of financial position as at 31 December 2017, and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-43 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated 21 May 2018 (the "Document") in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public

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Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the statement of financial position of the Company as at 31 December 2017, the combined financial position of the Group as at 31 December 2015, 2016 and 2017 and of its combined financial performance and its combined statements of cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

No dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
21 May 2018

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars (HK$) and all values are recorded to the nearest thousand (HK$'000) except when otherwise stated.

Combined Income Statements

		Year ended 31 December		
		2015	2016	2017
	Note	HK$'000	HK$'000	HK$'000
Revenue	*5*	242,344	267,895	225,750
Cost of sales	*8*	(145,323)	(180,106)	(146,073)
Gross profit		97,021	87,789	79,677
Selling expenses	*8*	(16,486)	(17,397)	(22,532)
Administrative expenses	*8*	(26,849)	(27,121)	(27,424)
Other income	*6*	927	601	1,285
Other gains/(losses) — net	*7*	244	(488)	(339)
[REDACTED]	*8*	—	[REDACTED]	[REDACTED]
Operating profit		54,857	39,891	24,205
Finance income		11	7	48
Finance expenses		—	—	(35)
Finance income — net		11	7	13
Profit before income tax		54,868	39,898	24,218
Income tax expenses	*11*	(5,614)	(8,524)	(6,720)
Profit for the year attributable to owners of the Company		49,254	31,374	17,498
Earnings per share for profit attributable to owners of the Company during the year (expressed in HK$ per share) — basic and diluted	*12*	N/A	N/A	N/A

Combined Statements of Comprehensive Income

	Year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Profit for the year	49,254	31,374	17,498
Other comprehensive income			
Items that have been reclassified or may be subsequently reclassified to profit or loss:			
Currency translation differences	489	(2,444)	1,767
Total comprehensive income for the year attributable to owners of the Company	49,743	28,930	19,265

Combined Statements of Financial Position

		As at 31 December		
		2015	2016	2017
	Note	HK$'000	HK$'000	HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	*14*	37,956	31,916	32,309
Current assets				
Inventories	*15*	36,042	28,561	42,727
Trade and other receivables	*16*	33,944	31,224	27,629
Deposits and prepayments	*17*	1,673	2,308	12,963
Amounts due from shareholders	*26*	6,050	10,092	—
Amount due from a related company	*26*	2	—	—
Pledged time deposits	*18*	—	—	10,000
Cash and bank balances	*18*	41,996	41,319	36,560
		119,707	113,504	129,879
Total assets		157,663	145,420	162,188
EQUITY				
Combined capital	*19*	100	100	2
Other reserves	*20*	3,755	1,311	3,176
Retained earnings		69,984	81,358	98,856
Total equity attributable to owners of the Company		73,839	82,769	102,034
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	*21*	1,517	1	39
Current liabilities				
Trade and other payables	*22*	36,492	27,490	40,294
Bills payables	*23*	—	—	2,881
Amount due to a shareholder	*26*	13,509	—	—
Amounts due to related companies	*26*	28,727	30,667	13,861
Tax payable		3,579	4,493	3,079
		82,307	62,650	60,115
Total liabilities		83,824	62,651	60,154
Total equity and liabilities		157,663	145,420	162,188

Company Statement of Financial Position

	Note	As at 31 December 2017 HK$'000
ASSETS		
Current assets		
Prepayment	*17*	3,104
EQUITY		
Share capital		—
Accumulated loss	*28*	(6,874)
Deficits on capital		(6,874)
LIABILITIES		
Current liabilities		
Accrual	*22*	3,048
Amounts due to a related party	*27*	6,930
		9,978
Total equity and liabilities		3,104

Combined Statements of Changes in Equity

		Attributable to owners of the Company			
		Combined capital *(Note 19)*	Other reserves *(Note 20)*	Retained earnings	Total
	Note	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015		100	3,266	60,730	64,096
Comprehensive income					
Profit for the year		—	—	49,254	49,254
Other comprehensive income					
Currency translation differences		—	489	—	489
Total comprehensive income for the year		—	489	49,254	49,743
Transactions with owners in the capacity as owners					
Dividend paid	*13*	—	—	(40,000)	(40,000)
At 31 December 2015		100	3,755	69,984	73,839
At 1 January 2016		100	3,755	69,984	73,839
Comprehensive income					
Profit for the year		—	—	31,374	31,374
Other comprehensive income					
Currency translation differences		—	(2,444)	—	(2,444)
Total comprehensive income for the year		—	(2,444)	31,374	28,930
Transactions with owners in the capacity as owners					
Dividend paid	*13*	—	—	(20,000)	(20,000)
At 31 December 2016		100	1,311	81,358	82,769

		Attributable to owners of the Company			
		Combined capital *(Note 19)*	Other reserves *(Note 20)*	Retained earnings	Total
	Note	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017		100	1,311	81,358	82,769
Comprehensive income					
Profit for the year		—	—	17,498	17,498
Other comprehensive income					
Currency translation differences		—	1,767	—	1,767
Total comprehensive income for the year		—	1,767	17,498	19,265
Transaction with owners in the capacity as owners					
Transfer upon reorganisation *(note 1.2(f) and (g))*		(98)	98	—	—
At 31 December 2017		2	3,176	98,856	102,034

Combined Statements of Cash Flows

		Year ended 31 December		
		2015	2016	2017
	Note	HK$'000	HK$'000	HK$'000
Cash flows from operating activities				
Cash generated from operations	*25*	53,782	50,292	17,665
Tax paid		(4,784)	(8,988)	(8,096)
Net cash generated from operating activities		48,998	41,304	9,569
Cash flows from investing activities				
(Increase)/decrease in amounts due from shareholders		—	(4,042)	10,092
Purchases of property, plant and equipment		(3,260)	(4,443)	(5,471)
Proceeds from disposal of property, plant and equipment		—	6	3
Increase in pledged time deposits for banking facilities		—	—	(10,000)
Interest received		11	7	48
Net cash used in investing activities		(3,249)	(8,472)	(5,328)
Cash flows from financing activities				
Decrease in amounts due to a shareholder	*25*	(428)	(13,509)	—
Decrease in amounts due to a related company	*25*	—	—	(9,000)
Dividend paid		(40,000)	(20,000)	—
Net cash used in financing activities		(40,428)	(33,509)	(9,000)
Net increase/(decrease) in cash and cash equivalents during the year		5,321	(677)	(4,759)
Cash and cash equivalents at beginning of the year		36,675	41,996	41,319
Cash and cash equivalents at end of the year		41,996	41,319	36,560
Analysis of balances of cash and cash equivalents				
Cash and bank balances		41,996	41,319	36,560

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

MS Group Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 9 March 2017. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in the manufacture and sales of plastic bottles and cups for infants and toddlers and plastic sports bottles. (the "[REDACTED] Business"). The directors consider Mr. Chung Kwok Keung ("Mr. Chung") and Mr. Chau Ching ("Mr. Chau") are the controlling shareholders (the "Controlling Shareholders").

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") as described below, the [REDACTED] Business was carried out by Main Success Industrial Limited and On Gain Development Limited (collectively the "Operating Companies") and their subsidiaries. Before the completion of the Reorganisation, the Operating Companies were controlled by the Controlling Shareholders who owned and controlled the Operating Companies throughout the Track Record Period.

In preparation for the [REDACTED] of the shares of the Company on The Stock Exchange of Hong Kong Limited, the Company and other companies now comprising the Group have undergone the Reorganisation pursuant to which the Company becomes the holding company of the other companies now comprising the Group. The major steps which have been undertaken to effect the Reorganisation were as follows:

(a) On 9 March 2017, Ching Wai Holdings Limited was incorporated in the British Virgin Islands (the "BVI") and one share of United States dollars ("US$") 1 was allotted and issued fully paid to Mr. Chau at par.

(b) On 9 March 2017, L.V.E.P. Holdings Limited was incorporated in the BVI and one share of US$1 was allotted and issued fully paid to Mr. Chung at par.

(c) On 9 March 2017, the Company was incorporated in the Cayman Islands. On the date of its incorporation, one nil-paid share was allotted and issued to Sharon Pierson and was subsequently transferred to Mr. Chung.

(d) On 31 March 2017, MS Industrial Limited ("MS Industrial") was incorporated in the BVI and one share of US$1 was allotted and issued fully paid to Mr. Chau and Mr. Chung at par, respectively.

(e) On 31 March 2017, CH Development Limited ("CH Development") was incorporated in the BVI and one shares of US$1 was allotted and issued fully paid to Mr. Chau and Mr. Chung at par, respectively.

(f) On 10 May 2017, Mr. Chau and Mr. Chung transferred the entire issued share capital of Main Success Industrial Limited to MS Industrial. In consideration of the acquisition and at the introduction of Mr. Chau and Mr. Chung, MS Industrial created, allotted and issued 49 and 49 new shares, credited as fully paid, to Mr. Chau and Mr. Chung respectively.

(g) On 10 May 2017, Mr. Chau and Mr. Chung transferred the entire issued share capital of On Gain Development Limited to CH Development. In consideration of the acquisition and at the introduction of Mr. Chau and Mr. Chung, CH Development created, allotted and issued 49 and 49 new shares, credited as fully paid, to Mr. Chau and Mr. Chung respectively.

(h) Pursuant to an instrument of transfer on 15 May 2018, the Company will acquire all the issued share capital of MS Industrial and CH Development from Mr. Chau and Mr. Chung respectively and in consideration thereto:

— the one nil paid Share previously issued to Mr. Chung under (c) above will be credited as fully paid; and

— the Company will issue and allot 50 and 49 Shares, credited as fully paid, to Ching Wai Holdings Limited and L.V.E.P. Holdings Limited, respectively as directed by Mr. Chau and Mr. Chung; and

— Mr. Chung will transfer his one fully paid Share in the Company to L.V.E.P. Holdings Limited at nominal consideration.

Upon the completion of Reorganisation, the Company became the holding company of the companies now comprising the Group.

Upon completion of the Reorganisation and during the Track Record Period, the Company had direct or indirect interests in the following principal subsidiaries:

Company name	Country/place of incorporation/ establishment	Registered/ issued and paid-up capital	Attributable equity interest of the Group As at 31 December 2015	2016	2017	Principal activities	Notes
Directly owned subsidiaries:							
CH Development	BVI 31 March 2017	US$100	—	—	—	Investment holding	*(i)*
MS Industrial	BVI 31 March 2017	US$100	—	—	—	Investment holding	*(i)*
Indirectly owned subsidiaries:							
Main Success Industrial Limited	Hong Kong 6 March 2007	HK$100,000	100%	100%	100%	Design, manufacture and sales of plastic infant and drinkware products	*(ii)*
On Gain Development Limited	Hong Kong 5 November 1991	HK$2	100%	100%	100%	Investment holding	*(ii)*
Shaoguan Anyu Baby Products Company Ltd* (韶關安裕嬰童用品有限公司)	The People's Republic of China (the "PRC") 17 June 2013	RMB5,960,580	100%	100%	100%	Design and sales of plastic infant products.	*(iii)*
Wengyuanxian Wancheng Plastic Products Company Limited* (翁源縣萬成塑膠制品有限公司)	PRC 20 April 2007	HK$20,000,000/ HK$19,690,236	100%	100%	100%	Manufacture of plastic infant and drinkware products.	*(iii)*

Notes:

(i) No audited financial statements have been issued for these companies as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

(ii) The statutory financial statements of these companies incorporated in Hong Kong for each of the years ended 31 December 2015 and 2016 were audited by C.B. Wong & Co. Certified Public Accountants and PricewaterhouseCoopers respectively. Up to date, the statutory financial statements of these companies for the year ended 31 December 2017 are yet to be issued.

(iii) The statutory financial statements of these companies incorporated in the PRC for each of the years ended 31 December 2015, 2016 and 2017 were audited by Shaoguan Nuozheng Certified Public Accountants LLP* (韶關市諾正會計師事務所(普通合夥)).

(iv) All companies comprising the Group have adopted 31 December as their financial year end date.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the [REDACTED] Business is controlled by the Controlling Shareholders. The [REDACTED] Business is conducted through the Operating Companies and their subsidiaries which are ultimately controlled by the Controlling Shareholders. Pursuant the Reorganisation, the [REDACTED] Business is transferred to and held by the Company. The Company and the immediate holding entities have not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The transactions as described in Note 1.2 is merely a reorganisation of the [REDACTED] Business with no change in management and the ultimate owners of the [REDACTED] Business. Accordingly, the Historical Financial Information of the companies now comprising the Group is presented using the carrying value of the [REDACTED] Business for all periods presented for the purpose of this report.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") are set out below. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

New or revised standards and amendments to existing standards not yet adopted by the Group

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 January 2018 or later periods, but have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendment to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKFRS 4	Insurance contracts	1 January 2018
HKFRS 9 *(Note i)*	Financial instruments	1 January 2018
HKFRS 15 *(Note ii)*	Revenue from contracts with customers	1 January 2018
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to HKAS 40	Transfers of investment property	1 January 2018
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 16 *(Note iii)*	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Effective date to be determined

Notes:

(i) HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39.

The Group assesses that adopting HKFRS 9 will not have a material impact to the Group's Historical Financial Information.

(ii) HKFRS 15 "Revenue from Contracts with Customers" — This new standard replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate

performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control.

HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Group has assessed the impact of the application of HKFRS 15 and based on its preliminary assessment, and identification of the key areas which might be accounted for differently under this new standard include but not limited to the timing of revenue recognition and the accounting treatment of contract costs, where the impact is not expected to be significant.

(iii) HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases. The standard replaces HKAS 17 'Leases' and related interpretations. The Group is a lessee of office premises and warehouses which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.16. The Group had total future minimum lease payments under non-cancellable operating leases, which are not reflected in the combined statements of financial position amounted to HK$11,186,000, HK$9,117,000 and HK$10,723,000, as at 31 December 2015, 2016 and 2017, respectively.

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the combined statements of financial position. Instead, all operating leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's combined statements of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in right-of-use asset and an increase in financial liability in the combined statements of financial position. This will affect related ratios, such as increase in debt to capital ratio. In the combined statements of comprehensive income, leases will be recognised in the future as depreciation and amortisation and will no longer be recorded as property rental and related expenses. Interest expense on the lease liability will be presented separately from depreciation and amortization under finance costs. As a result, the property rental and related expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until the financial year 2019, including the adjustment of prior years. Based on the preliminary assessment, management expects HKFRS 16 will have impact on the financial position as mentioned above but no significant impact on the financial performance of the Group.

2.2 Consolidation

(i) ***Subsidiaries and business combination***

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Other than the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in the combined income statement.

(ii) ***Changes in ownership interests in subsidiaries without change of control***

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) ***Disposal of subsidiaries***

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the combined income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to combined income statement.

(iv) ***Separate financial statements***

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividend and receivable. Impairment testing of the investments in the subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Financial Information of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Controlling Shareholders that make strategic decisions.

2.4 Foreign currencies

(i) ***Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(ii) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined income statement.

(iii) ***Group companies***

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(3) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The principal annual rates used for this purpose are:

Buildings and decoration	5%
Furniture and fixtures	20%
Office equipment	20%
Tools and equipment	30%
Plant and machinery	10%
Motor vehicles	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses) — net' in the combined income statement.

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined based on the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.7 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the provision is recognised in the combined income statement. When a receivable is uncollectible, it is written off against the allowance account for receivable. Subsequent recoveries of amounts previously written off are credited in the combined income statement.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the combined income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Other payables

Other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.11 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.12 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Historical Financial Information. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent asset is not recognised but is disclosed in the notes to the Historical Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.13 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the combined income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) ***Current income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) ***Deferred income tax***

Inside basis differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(iii) ***Offsetting***

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.14 Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is stated net of allowances for credit and other revenue reducing factors after eliminating sales within the Group.

Revenue is recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activities have been resolved. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) ***Sales of goods***

Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to the customer and title has passed.

(ii) ***Rental income***

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

(iii) ***Interest income***

Interest income is recognised on a time proportion basis using the effective interest method.

2.15 Employee benefits

(i) ***Employee leave entitlements***

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) ***Bonus plan***

Provisions for bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) ***Defined contribution schemes***

Contributions to defined contribution schemes, including the Mandatory Provident Fund ("MPF") Scheme, and employee pension schemes established by municipal government in Mainland China are expensed as incurred. Except for the MPF Scheme, contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

Pursuant to the relevant regulations of the government in the People's Republic of China ("PRC"), the companies in the PRC participate in the municipal government contribution scheme whereby the companies are required to contribute to the scheme for the retirement benefit of eligible employees. The municipal government of the PRC is responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the schemes is to pay the ongoing contributions required by the schemes. The Group's contributions to these schemes are expensed as incurred.

2.16 Operating leases

(i) ***Group as the lessee to operating leases***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) ***Group as the lessor to operating leases***

Where assets are leased out under an operating lease, the asset is included in the combined statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

2.17 Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in financial statements in the period when the dividends are approved by the Company's shareholders/directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. It is the Group's policy not to enter into derivative transaction for speculative purposes.

The Group sets financial risk management policies in accordance with policies and procedures approved by the Board of Directors. The Board of Directors identifies and evaluates any financial risks in close co-operation with the Group's operating units and provides written principles for overall risk management.

(i) ***Foreign exchange risk***

The Group's foreign currency transactions are mainly denominated in United States dollars ("USD"), Chinese Renminbi ("RMB") and HK$. The majority of assets and liabilities are denominated in USD, RMB and HK$, and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than USD, RMB or HK$, which are the functional currencies of the major operating companies now comprising the Group. The foreign exchange risk exposure on US dollars is not significant to the Group as Hong Kong dollar is pegged with US dollar under the existing Hong Kong economic environment.

The exchange rate of RMB to HK$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

For companies with RMB as their functional currency, their businesses are principally conducted in RMB. The fluctuation of the exchange rates of RMB against foreign currencies has a limited impact on these companies' results of operations.

(ii) ***Credit risk***

The credit risk of the Group mainly arises from cash and bank balances, pledged time deposits, trade and other receivables and deposits and prepayments. The Group monitors the credit rating of its bank. As at 31 December 2015, 2016 and 2017, the Group held approximately 93%, 90% and 76% respectively of its cash in a bank with credit rating of Aa3 (Moody's) or higher meaning the banks have a very strong or extremely strong capacity to meet financial commitments.

Majority of the Group's trade receivables are from individual OEM Business customer and are transacted in credit. As at 31 December 2015, 2016 and 2017, the top two debtors accounted for approximately 75%, 63% and 59% respectively, of the Group's trade receivables balances. The Group has set

up long-term cooperative relationship with these debtors. In view of the history of business dealing with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balances due from these debtors. Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether they are any disputes with the debtors. The directors consider the Group's credit risk of these receivables to be low.

(iii) ***Liquidity risk***

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities.

The tables below analyse the Group's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Less than 1 year
	HK$'000
At 31 December 2015	
Trade and other payables	28,408
Amount due to a shareholder	13,509
Amounts due to related companies	28,727
	70,644
At 31 December 2016	
Trade and other payables	22,191
Amounts due to related companies	30,667
	52,858
At 31 December 2017	
Trade and other payables	23,730
Bills payables	2,881
Amounts due to related companies	13,861
	40,472

3.2 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities approximate their fair values due to the short-term maturities of these assets and liabilities.

3.3 Capital risk management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and enhance shareholder value in the long term. The capital structure consists of total equity as shown in the combined statements of financial position. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to owner, or issue new shares.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Current taxation and deferred taxation

The Group is subject to income tax in Hong Kong and PRC. Significant judgement is required in determining the provision for taxation in this jurisdiction. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income taxation in the financial period in which such determination is made.

4.2 Net realisable value of inventories

Net realisable value of inventories is the estimated selling prices in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in economic conditions in places where the Group operates and changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at each reporting date.

5 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in manufacturing and sale of plastic bottles and cups for infants and toddlers and plastic sports bottles to OEM Business customer, and customers under its own brand. An analysis of the Group's revenue is as follows:

	Year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Revenue			
OEM Business customer products	232,328	244,787	191,393
Own brand products	10,016	23,108	34,357
	242,344	267,895	225,750

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used for making strategic decisions. The chief operating decision-maker is identified as the Controlling Shareholders of the Company. The chief operating decision maker consider the business from a product perspective and assess the performance of the operating segments based on a measure of gross profit for the purposes of allocating resources. No analysis of segment assets or segment liabilities is regularly provided to the chief operating decision-maker. These reports are prepared on the same basis as this Historical Financial Information.

The management has identified two operating segments based on the types of products, namely (i) manufacture and sale of plastic infant products to OEM Business customer and (ii) design, manufacture and sale of own brand infant products.

The segment information provided to the chief operating decision-maker for the year ended 31 December 2015 is as follows:

	OEM Business customer products	**Own brand products**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Segment revenue from external customers	232,328	10,016	242,344
Cost of sales	(139,790)	(5,533)	(145,323)
Gross profit	92,538	4,483	97,021
Selling expenses			(16,486)
Administrative expenses			(26,849)
Other income			927
Other gain — net			244
Finance income — net			11
Profit before income tax			54,868
Income tax expense			(5,614)
Profit for the year			49,254

The segment information provided to the chief operating decision-maker for the year ended 31 December 2016 is as follows:

	OEM Business customer products	Own brand products	Total
	HK$'000	HK$'000	HK$'000
Segment revenue from external customers	244,787	23,108	267,895
Cost of sales	(166,355)	(13,751)	(180,106)
Gross profit	78,432	9,357	87,789
Selling expenses			(17,397)
Administrative expenses			(27,121)
Other income			601
Other losses — net			(488)
[REDACTED]			[REDACTED]
Finance income — net			7
Profit before income tax			39,898
Income tax expense			(8,524)
Profit for the year			31,374

The segment information provided to the chief operating decision-maker for the year ended 31 December 2017 is as follows:

	OEM Business customer products	Own brand products	Total
	HK$'000	HK$'000	HK$'000
Segment revenue from external customers	191,393	34,357	225,750
Cost of sales	(125,837)	(20,236)	(146,073)
Gross profit	65,556	14,121	79,677
Selling expenses			(22,532)
Administrative expenses			(27,424)
[REDACTED]			[REDACTED]
Other income			1,285
Other losses — net			(339)
Finance income — net			13
Profit before income tax			24,218
Income tax expense			(6,720)
Profit for the year			17,498

The Group's revenue is mainly derived from customers located in the United States of America ("USA"), the Netherlands and the PRC. The Group's revenue by the geographical location of the customers, determined based on the domicile countries of the customers, irrespective of the destinations of the goods, is detailed below:

	Year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
USA	210,517	222,958	166,548
Netherlands	15,118	15,886	8,090
PRC	12,747	23,397	47,280
Other countries	3,962	5,654	3,832
	242,344	267,895	225,750

The analysis of the Group's major customers, which a single external customer has contributed 10% or more to the Group's revenue, is as follows:

	Year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
TOMY (Hong Kong) Limited	100,807	91,621	65,977
Customer A	95,501	118,308	89,282

As at 31 December 2015, 2016 and 2017, non-current assets other than deferred income tax assets, amounted to HK$1,103,000, HK$1,153,000 and HK$1,690,000 are located in Hong Kong and HK$36,853,000, HK$30,763,000 and HK$30,619,000 are located in PRC.

6 OTHER INCOME

	Year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Rental income from leasing vehicles	263	185	99
Government grant *(Note 2.17)*	—	75	720
Sundries	664	341	466
	927	601	1,285

7 OTHER GAINS/(LOSSES) — NET

	Year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Net foreign exchange gains/(losses)	244	298	(326)
Loss on disposal of property, plant and equipment	—	(786)	(13)
	244	(488)	(339)

8 EXPENSES BY NATURE

	Year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Raw materials and consumables used	89,533	102,910	95,223
Changes in inventories of finished goods and work in progress	(3,549)	2,754	(12,162)
Employee benefit expenses *(Note 9)*	50,785	58,104	56,573
Rental expenses	3,226	3,359	3,085
Management fee expenses	2,286	2,252	2,375
Transportation expenses	7,746	7,289	6,884
Depreciation of property, plant and equipment *(Note 14)*	8,676	8,262	6,070
[REDACTED]	—	[REDACTED]	[REDACTED]
Tooling expenses	1,437	5,594	4,895
Travelling expenses	3,635	3,390	5,101
Promotion expenses	5,255	4,044	4,912
Repair and maintenance expenses	2,061	6,831	1,791
Commission paid	467	—	—
Auditor's remuneration			
— Audit services	147	350	350
Utility expenses	6,873	6,155	5,236
Entertainment expenses	2,298	2,362	1,944
Others	7,782	10,968	13,752
Total cost of sales, selling expenses, administrative expenses and [REDACTED]	188,658	228,117	202,491

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Salaries, wages and bonuses	44,447	49,251	49,660
Contributions to defined contribution schemes	3,483	4,906	6,238
Other benefits	2,855	3,947	675
	50,785	58,104	56,573

10 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

(i) The remuneration of each director for the year ended 31 December 2015 is set out below:

	Fee	Salaries	Other allowances	Bonuses	Defined contribution pension costs	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:						
Mr. Chau Ching	—	781	—	195	18	994
Mr. Chau Wai	—	700	—	152	18	870
Mr. Chung Kwok Keung, Peter	—	—	—	—	—	—
Mr. Chung Leonard Shing Chun	—	—	—	—	—	—
Total	—	1,481	—	347	36	1,864

(ii) The remuneration of each director for the year ended 31 December 2016 is set out below:

	Fee	Salaries	Other allowances	Bonuses	Defined contribution pension costs	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:						
Mr. Chau Ching	—	821	—	205	18	1,044
Mr. Chau Wai	—	516	—	172	18	706
Mr. Chung Kwok Keung, Peter	—	—	—	—	—	—
Mr. Chung Leonard Shing Chun	—	86	—	—	13	99
Total	—	1,423	—	377	49	1,849

(iii) The remuneration of each director for the year ended 31 December 2017 is set out below:

	Fee	Salaries	Other allowances	Bonuses	Defined contribution pension costs	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:						
Mr. Chau Ching	—	936	—	—	18	954
Mr. Chau Wai	—	936	—	—	18	954
Mr. Chung Kwok Keung, Peter	—	—	—	—	—	—
Mr. Chung Leonard Shing Chun	—	609	—	—	18	627
Total	—	2,481	—	—	54	2,535

The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as management and employee to the Group during the years ended 31 December 2015, 2016 and 2017.

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2015, 2016 and 2017.

Mr. Chau Ching, Mr. Chau Wai, Mr. Chung Kwok Keung, Peter and Mr. Chung Leonard Shing Chun were appointed as executive directors of the Company on 9 March 2017.

(b) Directors' retirement benefits and termination benefits

Save as disclosed in Note 10(a), the directors did not receive any other retirement benefits or termination benefits during the years ended 31 December 2015, 2016 and 2017.

(c) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2015, 2016 and 2017, no consideration was provided to or receivable by third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 26, as at 31 December 2015, 2016 and 2017, there are loans, quasi-loans and other dealing arrangements in favour of directors, their controlled bodies corporate and connected entities.

(e) Director's material interests in transactions, arrangements or contracts

Save as disclosed in Note 26, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each of the years ended 31 December 2015, 2016 and 2017 or at any time during the years then ended.

(f) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group during the years ended 31 December 2015, 2016 and 2017 include two directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals during the years are as follows:

	Year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Salaries and wages	1,873	1,776	2,449
Bonus	576	613	—
Contributions to defined contribution schemes	57	54	54
	2,506	2,443	2,503

The emoluments fell within the following bands:

	Number of individuals		
	Year ended 31 December		
	2015	2016	2017
Emolument bands			
Nil–HK$1,000,000	2	2	3
HK$1,000,001–HK$1,500,000	1	1	—

During the years ended 31 December 2015, 2016 and 2017, no directors or any members of the five highest paid individuals received any emoluments from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

11 INCOME TAX EXPENSES

	Year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Current income tax			
Hong Kong profits tax	5,311	8,046	4,063
PRC enterprise income tax	692	1,994	2,619
	6,003	10,040	6,682
Deferred income tax	(389)	(1,516)	38
	5,614	8,524	6,720

For each of the years ended 31 December 2015, 2016 and 2017, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the years. PRC enterprise income tax has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the PRC.

The taxation on the Group's profit before income tax of the Group differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	Year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Profit before income tax	54,868	39,898	24,218
Calculated at a tax rate of 16.5%	9,053	6,583	3,996
Effect of different taxation rates in other tax jurisdictions	(77)	505	1,008
Income not subject to taxation *(Note)*	(5,288)	(1)	—
Expenses not deductible for taxation purposes	1,946	1,437	1,716
Others	(20)	—	—
Income tax expenses	5,614	8,524	6,720

Note: For the year ended 31 December 2015, income not subject to taxation includes sales as offshore manufacturing profits and subject to 50:50 apportionment under Departmental Interpretation and Practice Notes No.21 issued by the Inland Revenue Department of Hong Kong.

12 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for each of the years ended 31 December 2015, 2016 and 2017 on a combined basis as disclosed in Note 1.3 above.

13 DIVIDEND

No dividend has been paid or declared by the Company since its incorporation.

Dividends declared and paid by one of the companies now comprising the Group to its then shareholders during the years ended 31 December 2015 and 2016 amounted to HK$40,000,000 and HK$20,000,000 respectively.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings and decoration	Furniture and fixtures	Office equipment	Plants and machinery	Tools and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost							
At 1 January 2015	10,463	1,519	914	54,400	6,743	3,534	77,573
Additions	759	—	6	1,840	—	655	3,260
Exchange difference	30	—	—	60	—	—	90
At 31 December 2015	11,252	1,519	920	56,300	6,743	4,189	80,923
Additions	—	—	542	3,901	—	—	4,443
Disposals	—	—	(31)	(3,466)	—	(114)	(3,611)
Exchange difference	(424)	—	(46)	(1,392)	—	(82)	(1,944)
At 31 December 2016	10,828	1,519	1,385	55,343	6,743	3,993	79,811
Additions	220	1	2,612	2,273	—	365	5,471
Disposals	—	—	—	(7)	—	(136)	(143)
Exchange difference	221	—	147	994	—	41	1,403
At 31 December 2017	11,269	1,520	4,144	58,603	6,743	4,263	86,542
Accumulated depreciation							
At 1 January 2015	1,992	1,292	771	24,570	3,580	2,043	34,248
Charge for the year	523	99	68	5,447	1,626	913	8,676
Exchange difference	5	—	—	32	—	6	43
At 31 December 2015 and 1 January 2016	2,520	1,391	839	30,049	5,206	2,962	42,967
Charge for the year	548	89	61	5,569	1,250	745	8,262
Disposal for the year	—	—	(25)	(2,680)	—	(114)	(2,819)
Exchange difference	(57)	—	(20)	(386)	—	(52)	(515)
At 31 December 2016 and 1 January 2017	3,011	1,480	855	32,552	6,456	3,541	47,895
Charge for the year	291	24	220	5,020	287	228	6,070
Disposal for the year	—	—	—	(5)	—	(122)	(127)
Exchange difference	43	—	18	301	—	33	395
At 31 December 2017	3,345	1,504	1,093	37,868	6,743	3,680	54,233
Net book value							
At 31 December 2015	8,732	128	81	26,251	1,537	1,227	37,956
At 31 December 2016	7,817	39	530	22,791	287	452	31,916
At 31 December 2017	7,924	16	3,051	20,735	—	583	32,309

15 INVENTORIES

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Raw materials	15,796	11,069	13,073
Work in progress	7,659	7,658	9,563
Finished goods	12,587	9,834	20,091
	36,042	28,561	42,727

The cost of inventories recognised as expense and include in "cost of sales" amounted to HK$85,984,000, HK$105,664,000 and HK$83,061,000 for each of the years ended 31 December 2015, 2016 and 2017 respectively.

16 TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Trade receivables			
— third parties	30,149	28,951	27,278
— related parties *(note 26)*	731	—	16
	30,880	28,951	27,294
Other receivables			
— third parties *(Note)*	1,864	1,853	335
— employees	1,200	420	—
	33,944	31,224	27,629

Note: As at 31 December 2015 and 2016, other receivables of HK$897,000 and HK$782,000 were due from Yingtan Yuhe Real Estate Co., Ltd.* (鷹潭市裕和置業有限公司), which is controlled by a sibling of Mr. Chau's spouse.

The credit period for the trade receivables for the Group's business generally ranges from 30 to 90 days. The ageing analysis of trade receivables by invoice date is as follows:

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
0–30 days	22,124	18,834	20,605
31–60 days	6,156	5,937	4,170
61–90 days	1,676	2,280	1,336
Over 90 days	924	1,900	1,183
	30,880	28,951	27,294

As at 31 December 2015, 2016 and 2017, trade receivables of HK$6,246,000, HK$9,159,000 and HK$4,629,000 were considered past due but not impaired. These relate to customers for whom there are no significant financial difficulties and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables based on past due date is as follows:

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
1–30 days	5,246	5,996	3,128
31–60 days	112	1,227	1,139
61–90 days	—	1,728	105
Over 90 days	888	208	257
	6,246	9,159	4,629

The maximum exposure to credit risk is the carrying amounts of trade receivables and the Group does not hold any collateral as security.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
USD	29,085	25,742	18,357
HK$	1,035	291	117
RMB	3,824	5,191	9,155
	33,944	31,224	27,629

17 DEPOSITS AND PREPAYMENTS

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Group			
Utilities and other deposits	60	68	348
Prepayments			
— Inventories	1,248	1,978	8,035
— [REDACTED]	—	—	[REDACTED]
— Others	365	262	1,532
	1,673	2,308	12,963

	As at 31 December 2017
	HK$'000
Company	
Prepayments	
— [REDACTED]	[REDACTED]
— Others	56
	3,104

18 CASH AND BANK BALANCES

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Cash on hand	436	443	653
Cash at banks	41,560	40,876	45,907
Less:			
Pledged time deposits for banking facilities	—	—	(10,000)
	41,996	41,319	36,560

The carrying amounts of cash and bank balances of the Group approximate their fair values and are denominated in the following currencies:

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
USD	39,131	37,384	20,181
HK$	2,539	720	21,794
RMB	326	3,215	4,585
	41,996	41,319	46,560

The cash and bank balances of the Group denominated in RMB is not freely convertible into other currencies. However, under "Mainland China's Foreign Exchange Control Regulations" and "Administration of Settlement, Sale and Payment of Foreign Exchange Provisions", the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

19 COMBINED CAPITAL

The Company was incorporated on 9 March 2017 and the Reorganisation was completed on 15 May 2018. For the purpose of the Historical Financial Information, the combined capital in the combined statements of financial position as at 31 December 2015, 2016 and 2017 primarily represented the aggregate amount of share capital of the companies now comprising the Group after elimination of inter-company investments.

20 OTHER RESERVES

	Exchange reserve	Other reserve	Total
	HK$'000	HK$'000	HK$'000
Group			
At 1 January 2015	3,235	31	3,266
Currency translation differences	489	—	489
At 31 December 2015	3,724	31	3,755
At 1 January 2016	3,724	31	3,755
Currency translation differences	(2,444)	—	(2,444)
At 31 December 2016	1,280	31	1,311
At 1 January 2017	1,280	31	1,311
Currency translation differences	1,767	—	1,767
Transfer upon reorganisation *(note 1.2(f) and (g))*	—	98	98
At 31 December 2017	3,047	129	3,176

21 DEFERRED INCOME TAX LIABILITIES

The movement in deferred income tax liabilities during the Track Record Period, without taking into account of offsetting, is as follows:

	Accelerated tax depreciation
	HK$'000
At 1 January 2015	1,906
Credited to the income statement	(389)
At 31 December 2015	1,517
At 1 January 2016	1,517
Credited to the income statement	(1,516)
At 31 December 2016	1
At 1 January 2016	1
Charged to the income statement	38
At 31 December 2017	39

The Group has undistributed earnings of HK$7,162,000 (2016: HK$1,078,000, 2015: nil) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from this subsidiary and is not expected to distribute these profits in the foreseeable future.

22 TRADE AND OTHER PAYABLES

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Group			
Trade payables *(Note)*			
— third parties	17,030	12,920	18,737
— related party *(note 26)*	4,330	1,963	—
	21,360	14,883	18,737
Receipts in advance	6,429	5,202	10,668
Accrued payroll	5,571	5,940	6,452
Accruals and other payables	3,132	1,465	4,437
	36,492	27,490	40,294

Note: As at 31 December 2015, trade payables of HK$653,000 were due by Dongguan Ruicai Plastic Hardware Co., Ltd.* (東莞市銳彩塑膠五金有限公司) which is controlled by a sibling of Mr. Chau's spouse.

The ageing analysis of trade payables based on invoice dates is as follows:

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
1–30 days	11,484	12,486	11,833
31–60 days	5,333	—	2,549
61–90 days	232	1,086	331
Over 90 days	4,311	1,311	4,024
	21,360	14,883	18,737

The carrying amounts of trade and other payables approximated their fair values and were denominated in the following currencies:

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
USD	6,773	3,222	5,402
HK$	13,105	6,264	10,486
RMB	16,614	18,004	24,406
	36,492	27,490	40,294

	As at 31 December 2017
	HK$'000
Company	
Accrued [REDACTED]	[REDACTED]

23 BILLS PAYABLES

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Bills payables	—	—	2,881
	—	—	2,881

Bill payables of the Group are mainly repayable within three months and secured by the pledged time deposits of HK$10,000,000.

24 COMMITMENTS

The Group has future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
No later than one year	2,886	2,819	3,730
Later than one year and no later than five years	8,300	6,298	6,993
	11,186	9,117	10,723

25 NOTES TO COMBINED STATEMENTS OF CASH FLOWS

Reconciliation of operating profit to cash generated from operations:

	Year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Profit before income tax	54,868	39,898	24,218
Adjustments for:			
Interest income	(11)	(7)	(48)
Depreciation of property, plant and equipment *(Note 8)*	8,676	8,262	6,070
Loss on disposals of property, plant and equipment *(Note 7)*	—	786	13
Operating cash flows before changes in working capital	63,533	48,939	30,253
Change in working capital:			
— Inventories	(8,995)	7,481	(14,166)
— Trade and other receivables	(7,849)	2,720	3,595
— Deposits and prepayments	(299)	(635)	(10,655)
— Trade and other payables	4,145	(9,002)	12,804
— Bills payables	—	—	2,881
— Amounts with related companies	2,805	1,942	(7,805)
— Effect of foreign exchange rate changes	442	(1,153)	758
Cash generated from operations	53,782	50,292	17,665

Reconciliation of liabilities arising from financing activities is as follows:

	Amount due to a shareholder
	HK$'000
At 1 January 2015	13,937
Cash flow	
— Outflow from financing activities	(428)
At 31 December 2015	13,509
Cash flow	
— Outflow from financing activities	(13,509)
At 31 December 2016	—
Cash flow	
— Outflow from financing activities	(9,000)
At 31 December 2017	(9,000)

26 RELATED PARTY TRANSACTIONS

For the purpose of this Historical Financial Information, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following individuals and companies were related parties that had transactions or balances with the Group as at and during the years ended 31 December 2015, 2016 and 2017:

Name of related party	Relationship with the Group
Mr. Chau Ching	Controlling Shareholder and director of the Company
Mr. Chau Wai	Director of the Company
Mr. Chung Kwok Keung, Peter	Controlling Shareholder and director of the Company
Mr. Chung Leonard Shing Chun	Director of the Company
Century Project Inc.	Jointly controlled by Mr. Chung and his spouse
Dongguan Humen Dafeng Printing and Packaging Products Factory* (東莞虎門達峰印刷包裝製品廠)	Controlled by Mr. Chau's spouse and his sibling
Kwong Fai Trading Limited	Jointly controlled by Mr. Chung and his spouse
ReAlto Group Limited	Controlled by Controlling Shareholders
San Yie International Holdings Limited	Controlled by Mr. Chau's spouse
Sharp Success Enterprises Limited	Controlled by Controlling Shareholders
Penghui Qiye (Wengyuan) Company Limited* (鵬輝企業(翁源)有限公司)	Controlled by Controlling Shareholders
Tat Fung Industrial (Hong Kong) Limited	Controlled by Controlling Shareholders
Tat Fung Industrial Company	Controlled by Mr. Chau's spouse and his sibling

* The English translations of company or entity names in Chinese are for identification purpose only.

Other than those transactions and balances disclosed elsewhere in the Historical Financial Information, the following transactions were carried out with related parties during the years ended 31 December 2015, 2016 and 2017:

(a) Transactions with related parties:

The following transactions were undertaken by the Group with related parties during the years ended 31 December 2015, 2016 and 2017:

	Year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Discontinued transactions:			
Sharp Success Enterprises Limited			
— Motor vehicles expenses	60	60	60
ReAlto Group Limited			
— Sales of goods	151	—	—
Tat Fung Industrial (Hong Kong) Limited			
— Motor vehicles expenses	240	120	60

	Year ended 31 December		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Continuing transactions:			
Dongguan Humen Dafeng Printing and Packaging Products Factory			
— Purchase of raw materials	272	509	816
Kwong Fai Trading Limited			
— Rental expenses	600	600	600
Penghui Qiye (Wengyuan) Company Limited			
— Management fee expenses	2,000	2,103	2,352
— Rental expenses	2,589	2,636	2,601
San Yie International Holdings Limited			
— Sales of goods	138	51	82
Tat Fung Industrial Company			
— Purchase of raw materials	28,839	26,473	17,512

All of the above transactions with related parties were conducted in the ordinary course of the business of the Group based on the terms mutually agreed between the relevant parties.

(b) Key management compensation

Key management personnel are deemed to be the members of the Board of Directors of the Company who have responsibility for the planning directly and controlling the activities of the Group. Please refer to note 10 for key management compensation.

(c) Balances with related parties

	Maximum outstanding during the period	As at 31 December		
		2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts due from shareholders				
— Mr. Chau Ching *(Note i)*	4,042	—	4,042	—
— Mr. Chung Kwok Keung, Peter *(Note i)*	6,050	6,050	6,050	—
		6,050	10,092	—
Amount due from a related company				
— Tat Fung Industrial (Hong Kong) Limited *(Note i)*		2	—	—
Amount due to a shareholder				
— Mr. Chau Ching *(Note i)*		13,509	—	—
Amounts due to related companies				
— Century Project Inc. *(Note i)*		12,074	12,074	12,074
— Tat Fung Industrial (Hong Kong) Limited *(Note i)*		1,200	1,200	1,200
— Tat Fung Industrial (Hong Kong) Limited *(Note ii)*		—	304	347
— Sharp Success Enterprises Limited *(Note iii)*		120	180	240
— Kwong Fai Trading Limited *(Note iii)*		1,200	1,800	—
— Penghui Qiye (Wengyuan) Company Limited *(Note iii)*		14,133	15,109	—
		28,727	30,667	13,861

(d) Year-end balances arising from sales/purchases of goods

Receivables from related parties *(note 16)*			
— ReAlto Group Limited *(Note iv)*	695	—	—
— San Yie International Holdings Limited *(Note iv)*	36	—	16
	731	—	16
Payables to related party *(note 22)*			
— Tat Fung Industrial Company *(Note v)*	4,330	1,963	—

Notes:

(i) The balances are non-trade in nature, unsecured, interest-free and repayable on demand.

(ii) The balances are non-trade in nature, unsecured, interested-free and aged within 1–30 days.

(iii) The balances are non-trade in nature, unsecured, interested-free and aged over 90 days.

(iv) The balances are trade in nature, unsecured, interested-free and aged over 90 days.

(v) The balances are trade in nature, unsecured, interested-free and aged within 1–30 days.

27 AMOUNT DUE TO A RELATED PARTY — COMPANY

The balances are denominated in HKD, unsecured, interested-free and repayable on demand.

28 ACCUMULATED LOSS — COMPANY

	2017
	HK$'000
At 1 January 2017	—
Loss for the year	(6,874)
At 31 December 2017	(6,874)

29 SUBSEQUENT EVENTS

Pursuant to the written resolution passed by the Shareholders of the Company on 15 May 2018, conditional on the share premium account of the Company being credited as a result of the issue of the [REDACTED] by the Company pursuant to the proposed [REDACTED] as described in the document of the Company dated 21 May 2018 ("[REDACTED]"), the Company will capitalise an amount of HK$[REDACTED], standing to the credit of its share premium account of the Company by applying such sum to pay up in full at par. a total of [REDACTED] shares for allotment and issue to the shareholders on a pro rata basis immediately before the [REDACTED].

On 11 May 2018, amounts due to related companies amounted to HK$13,860,000 were repaid and the Company entered into a loan agreement with an independent third party amounted to HK$12,000,000 with fixed interest rate of 5% per annum and the due date of the loan is 9 July 2018.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2017 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2017.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountant's Report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included in this document for illustrative purposes only. The unaudited [REDACTED] financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountant's Report set out in Appendix I to this document.

A. [REDACTED]

[REDACTED]

[REDACTED]

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 March, 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and its Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [REDACTED] with effect from the [REDACTED]. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the

necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) ***Alteration of capital***

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) ***Transfer of shares***

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) ***Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) ***Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) ***Calls on shares and forfeiture of shares***

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) ***Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) ***Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the

opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) ***Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) ***Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) ***Remuneration***

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) ***Loans and provision of security for loans to Directors***

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) ***Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also

cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the [REDACTED] or [REDACTED] of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) ***Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) ***Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) ***Annual general meetings***

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) ***Notices of meetings and business to be conducted***

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) ***Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) ***Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors

may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different

classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of

shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 28 March 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares [REDACTED] on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are [REDACTED] on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. ([REDACTED]) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

(A) FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands with our registered address at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands under the Companies Law as an exempted company with limited liability on 9 March 2017. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 26 May 2017 and our principal place of business in Hong Kong is at Room 907, 9/F, Enterprise Square Tower 1, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong. Mr. Leonard Chung has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the Companies Laws and its constitution which comprises the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this document.

2. Changes in share capital of our Company

(a) As at the date of incorporation of our Company, the authorised share capital was HK$380,000 divided into 3,800,000 Shares of HK$0.10 each. One Share was allotted and issued nil-paid to the initial subscriber on 9 March 2017, which was subsequently transferred to Mr. Chung on the same date.

(b) On 15 May 2018, the authorised share capital of our Company was increased from HK$380,000 divided into 3,800,000 Shares to HK$[REDACTED] divided into [REDACTED] by the creation of an additional of [REDACTED] Shares.

(c) Immediately following completion of the [REDACTED] and the [REDACTED], and taking no account of any Share which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK$[REDACTED] divided into [REDACTED] Shares, of which [REDACTED] Shares will be allotted and issued as fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.

(d) Other than pursuant to the general mandate to issue Shares referred to in the paragraphs headed "(A) Further Information about Our Company — 3. Written resolutions of all Shareholders passed on 15 May 2018" in this appendix, and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(e) Save as disclosed in this document, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of all Shareholders passed on 15 May 2018

By written resolutions of all the Shareholders passed on 15 May 2018:

(a) our Company approved and adopted the Memorandum with immediate effect and the Articles conditionally with effect from [REDACTED] of the Shares on the Stock Exchange, the material terms of which are summarised in Appendix III to this document;

(b) the authorised share capital of our Company was increased from HK$380,000 divided into 3,800,000 Shares of HK$[REDACTED] each to HK$[REDACTED] divided into [REDACTED] of HK$[REDACTED] each by the creation of additional [REDACTED] new Shares which shall, when issued and paid, rank pari passu in all respects with the existing issued Shares (other than participation in the [REDACTED];

(c) conditional on the fulfilment or waiver of, among other things, the conditions set out in the section headed "Structure and Conditions of the [REDACTED] — Conditions of the [REDACTED]" in this document:

(i) the [REDACTED] was approved and our Directors were authorised to allot and issue the [REDACTED] pursuant to the [REDACTED] to rank pari passu with the then existing Shares in all respects;

(ii) subject to the share premium account of our Company being credited as a result of the [REDACTED], the [REDACTED] was approved, and our Directors were authorised to capitalise an amount of HK$[REDACTED] standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par [REDACTED] Shares for allotment and issue to the Shareholders as of the date of passing the written resolutions of the Shareholders, namely, Ching Wai Holdings and L.V.E.P. Holdings on a pro rata basis, each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions; and

(iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraphs headed "Share Option Scheme" in this appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

(d) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of rights issue, issue of Shares pursuant to the exercise of subscription rights attaching to any warrant of our Company scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any cash dividend in accordance with the Memorandum and the Articles, or upon the exercise of any option(s) which may be granted under the Share Option Scheme or under the [REDACTED] or the [REDACTED] or similar arrangement for the time being adopted or such other issue and allotment of Shares or securities of our Company as permitted under the Listing Rules, Shares with an aggregate nominal value not exceeding 20% of the number of Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

(e) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to make repurchases on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [REDACTED] and which was recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as would represent up to 10% of the number of issued Shares immediately following completion of the [REDACTED] and the [REDACTED], excluding any Share which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme; and

(f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the number of Shares in issue immediately following completion of the [REDACTED] and [REDACTED] but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme.

4. Corporate reorganisation

Our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the [REDACTED]. The key steps of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in this document.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are [REDACTED] in the accountants' report, the text of which is set out in Appendix I to this document.

Save as disclosed in this appendix and in the section headed "History, reorganisation and corporate structure" in this document, there was no other alteration in the share capital of any of the subsidiaries of our Company during the Track Record Period.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in the document concerning the repurchase of our Shares by our Company.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary [REDACTED] on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions.

(i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid up in the case of shares) by a company with a primary [REDACTED] on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Pursuant to the written resolutions of our Shareholders passed on 15 May 2018, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares representing up to 10% of the aggregate of the nominal value of the share capital in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Share to be issued upon exercise of any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any

other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits, share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of our Company or any of our subsidiaries or a close associate (as defined in the Listing Rules) of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Exercise of the Repurchase Mandate*

On the basis of [REDACTED] Shares in issue after completion of the [REDACTED] and the [REDACTED], exercise in full of the Repurchase Mandate, could accordingly result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) ***Funding of repurchase***

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the Companies Law.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) ***General***

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations from time to time in force in the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequence that may arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate. Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

(B) FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material in relation to the business of our Company as a whole:

(a) the agreement for the sale and purchase dated 15 May 2018 entered into between Mr. Chung, Mr. Chau and our Company;

(b) the Deed of Non-competition;

(c) the Deed of Indemnity; and

(d) the [REDACTED].

2. Intellectual property rights

As at the Latest Practicable Date, our Group has registered 29 trademarks in the PRC, five trademarks in Hong Kong and two trademarks in the US. Set out below are those material to our business:

Trademark	Registered owner	Class	Registration Number	Registration period	Place of Trademark Registration
	Anyu Baby	10	10796637	14 July 2013 to 13 July 2023	PRC
	Wancheng Plastic	12	10796833	14 July 2013 to 13 July 2023	PRC
	Wancheng Plastic	21	8671172	28 September 2011 to 27 September 2021	PRC
	Wancheng Plastic	25	10797104	7 July 2013 to 6 July 2023	PRC
	Wancheng Plastic	28	8671123	7 December 2011 to 6 December 2021	PRC
	Wancheng Plastic	5	10796388	14 January 2014 to 13 January 2024	PRC
Yo Yo Monkey	Wancheng Plastic	25	12356435	14 September 2014 to 13 September 2024	PRC
Yo Yo Monkey	Wancheng Plastic	12	12356445	14 September 2014 to 13 September 2024	PRC

Trademark	Registered owner	Class	Registration Number	Registration period	Place of Trademark Registration
Yo Yo Monkey	Wancheng Plastic	10	12356455	14 September 2014 to 13 September 2024	PRC
Yo Yo Monkey	Wancheng Plastic	5	12356462	14 September 2014 to 13 September 2024	PRC
	Wancheng Plastic	5	12356474	14 May 2015 to 13 May 2025	PRC
	Wancheng Plastic	12	12356485	14 September 2014 to 13 September 2024	PRC
优优马骝	Wancheng Plastic	25	12356502	14 September 2014 to 13 September 2024	PRC
优优马骝	Wancheng Plastic	12	12356513	7 September 2014 to 6 September 2024	PRC
优优马骝	Wancheng Plastic	10	12356517	7 September 2014 to 6 September 2024	PRC
优优马骝	Wancheng Plastic	5	12356529	7 September 2014 to 6 September 2024	PRC
	Wancheng Plastic	3	13712522	14 February 2015 to 13 February 2025	PRC
优优马骝	Wancheng Plastic	3	13716698	7 March 2015 to 6 March 2025	PRC
Yo Yo Monkey	Wancheng Plastic	3	13716706	7 March 2015 to 6 March 2025	PRC
	Wancheng Plastic	3	13716712	7 March 2015 to 6 March 2025	PRC
	Wancheng Plastic	5	13716721	7 March 2015 to 6 March 2025	PRC
优优马骝	Wancheng Plastic	21	13716725	7 March 2015 to 6 March 2025	PRC
Yo Yo Monkey	Wancheng Plastic	21	13716734	7 March 2015 to 6 March 2025	PRC
	Wancheng Plastic	21	13716736	7 March 2015 to 6 March 2025	PRC

As at the Latest Practicable Date, our Group has registered the following patents in the PRC:

Patent	Type	Patent Number	Application date	Expiration Date	Patent owner	Place of Patent Registration
一種寬口徑防脹氣母乳奶嘴	Utility Model	ZL201420834381.9	25 December 2014	24 December 2024	Anyu Baby	PRC
一種雙重防漏滑片吸管杯蓋	Utility Model	ZL201420834662.4	25 December 2014	24 December 2024	Anyu Baby	PRC
一種彈扣杯蓋	Utility Model	ZL201420834385.7	25 December 2014	24 December 2024	Anyu Baby	PRC

As at the Latest Practicable Date, our Group has registered the following domain names:

Domain name	Registrant	Place of registration	Expiry date
mainsuccess.cn	Wancheng Plastic	PRC	15 March 2026
yoyomonkey.com.cn	Anyu Baby	PRC	17 November 2020
yoyomonkey.cn	Anyu Baby	PRC	17 November 2020
yoyomonkey.com.hk	Main Success	Hong Kong	2 February 2019
msgh.com.hk	Main Success	Hong Kong	10 November 2018
msgh.hk	Main Success	Hong Kong	9 November 2018

As at the Latest Practicable Date, our Group has registered the following copyright:

Copyright name	Registrant	Place of registration	Expiry date
猴頭	Anyu Baby	PRC	31 December 2064
有嘴猴	Anyu Baby	PRC	31 December 2063

(C) FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the [REDACTED] but taking no account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are [REDACTED] on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be

required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are [REDACTED] on the Stock Exchange, will be as follows:

(i) ***Long position in our Shares***

Name of Director	Capacity/Nature of Interest	Number of Shares held/Interested	Approximate percentage of shareholding interests of our Company
Mr. Chung	Interest of a controlled corporation *(Note 1)*	[REDACTED]	[REDACTED]
Mr. Chau	Interest of a controlled corporation *(Note 2)*	[REDACTED]	[REDACTED]

Note 1: L.V.E.P. Holdings is 100% beneficially owned by Mr. Chung. Accordingly, Mr. Chung is deemed to be interested in the Shares held by L.V.E.P. Holdings under the SFO.

Note 2: Ching Wai Holdings is 100% beneficially owned by Mr. Chau. Accordingly, Mr. Chau is deemed to be interested in the Shares held by Ching Wai Holdings under the SFO.

(ii) ***Long position in the Shares of associated corporations***

Name of Director	Name of associated corporation	Number of Shares held/ Interested	Approximate percentage of shareholding
Mr. Chung	L.V.E.P. Holdings	1	100%
Mr. Chau	Ching Wai Holdings	1	100%

So far as is known to our Directors and taking no account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the [REDACTED] and the [REDACTED], have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3

of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

(i) ***Long position in our Shares***

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/ Interested	Approximate percentage of shareholding
Mr. Chung	Interest of a controlled corporation *(Note 1)*	[REDACTED]	[REDACTED]
L.V.E.P. Holdings	Beneficial owner *(Note 1)*	[REDACTED]	[REDACTED]
Mr. Chau	Interest of a controlled corporation *(Note 2)*	[REDACTED]	[REDACTED]
Ching Wai Holdings	Beneficial owner *(Note 2)*	[REDACTED]	[REDACTED]
Ms. Cheung	Interest of spouse *(Note 3)*	[REDACTED]	[REDACTED]
Ms. Lee	Interest of spouse *(Note 4)*	[REDACTED]	[REDACTED]

Note 1: L.V.E.P. Holdings is 100% beneficially owned by Mr. Chung. Accordingly, Mr. Chung is deemed to be interested in the Shares held by L.V.E.P. Holdings under the SFO.

Note 2: Ching Wai Holdings is 100% beneficially owned by Mr. Chau. Accordingly, Mr. Chau is deemed to be interested in the Shares held by Ching Wai Holdings under the SFO.

Note 3: Ms. Cheung is the spouse of Mr. Chau and is deemed to be interested in the Shares held by Mr. Chau under the SFO.

Note 4: Ms. Lee is the spouse of Mr. Chung and is deemed to be interested in the Shares held by Mr. Chung under the SFO.

2. Particulars of service agreements and appointment letters

(i) ***Executive Directors***

Each of the executive Directors has entered into a service agreement with our Company under which he/she has agreed to act as an executive Director for an initial term of three years commencing from the [REDACTED] and shall continue thereafter until terminated by either party by giving to the other party three months' notice in writing at any time after such initial fixed term, provided that our Company may terminate the contract by giving the Director not less than three months' prior notice in

writing at any time after the date of the contract. The appointment shall terminate by giving notice in the event of the executive Director ceasing to be a Director for whatever reason.

Each of these executive Directors is entitled to the respective director's fee set out below. In addition, each of the executive Directors is also entitled to a discretionary bonus if so recommended by the remuneration committee of our Company and approved by the Board having regard to the operating results of our Group and the performance of the executive Director.

(ii) ***Independent non-executive Directors***

Each of the independent non-executive Directors has entered into a service agreement with our Company under which he has agreed to act as an independent non-executive Director for an initial term of three years commencing from the [REDACTED]. Each of the independent non-executive Directors is entitled to a director's fee set out below.

3. Directors' remuneration

(a) The aggregate amount of remuneration paid to our Directors by our Group in each of the years ended 31 December 2015, 2016 and 2017 were approximately HK$1,864,000, HK$1,849,000 and HK$2,535,000 respectively.

(b) Under the arrangements currently proposed, conditional upon the [REDACTED], the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	HK$
Executive Directors	
Mr. Chung	864,000
Mr. Chau	864,000
Mr. Leonard Chung	720,000
Mr. Chau Wai	720,000
Independent non-executive Directors	
Mr. Asvaintra Bhanusak	180,000
Mr. Yu Hon To David	180,000
Mr. Seto John Gin Chung	180,000

(c) Each of our Directors has entered into a service contract with our Company for a term of three years commencing from the [REDACTED], which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles.

4. Related party transactions

Details of the related party transactions are set out under note 25 to the Accountant's Report set out in Appendix I to this document.

5. Disclaimers

Save as disclosed in this document:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;

(b) none of our Directors or the experts named in the paragraph headed "Other Information — Consents of experts" in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors or the experts named in the paragraph headed "Other Information — Consents of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(d) taking no account of our Shares which may be issued pursuant to any options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [REDACTED] and the [REDACTED], have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;

(e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are [REDACTED] on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and

(f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

(D) SHARE OPTION SCHEME

The principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the Shareholder passed on 15 May 2018 are set out below:

1. Purpose of the Share Option Scheme

The Share Option Scheme is an incentive scheme and is established to recognise the contributions that Eligible Participants (as defined below) have made or may make to our Group.

The Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in our Company with the view to achieving the following principal objectives:

(a) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and

(b) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to our Group.

For the purpose of the Share Option Scheme, "**Eligible Participants**" means any person who satisfies the eligibility criteria in paragraph 2 below.

2. Who may join and basis of eligibility

The Board may at its discretion grant options to:

(i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or a company in which our Group holds an interest or a subsidiary of such company ("**Affiliate**");

(ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate; and

(iii) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to our Group or an Affiliate.

and, for the purposes of the Share Option Scheme, options may be granted to any company wholly owned by one or more Eligible Participants.

The basis of eligibility of any participant to be granted any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

3. Subscription Price of Shares

The exercise price for any Share under the Share Option Scheme shall be a price determined by the Board and notified to each grantee and shall not be less than the highest of: (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day in Hong Kong and a day on which the Stock Exchange is open for the business of dealing in securities (a "**Trading Day**"); (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of a Share on the offer date.

4. Grant of options and acceptance of offers

An offer for the grant of options shall be deemed to have been accepted when our Company receives the letter containing the offer duly signed by the grantee together with a remittance of HK$1.00 (or such other nominal sum in any currency as the Board may determine) in favour of our Company as consideration for the grant thereof. Such remittance shall in no circumstances be refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Eligible Participant.

5. Maximum number of Shares

(i) Subject to sub-paragraphs (ii) to (iv) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the [REDACTED] (the "**Scheme Mandate Limit**"), being 20,000,000 Shares, unless approved by the shareholders of our Company pursuant to sub-paragraph (iii) below. Options lapsed in accordance with the terms of the scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

(ii) Subject to sub-paragraphs (iii) and (iv) below, the Scheme Mandate Limit may be renewed by the shareholders of our Company in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the Share in issue as at the date of approval of such renewal by the Shareholders of our Company in general meeting. Upon such renewal, all options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. A circular must be sent to the shareholders of our Company containing such relevant information from time to time as required by the Listing Rules in connection with the general meeting at which their approval is sought.

(iii) Subject to sub-paragraph (iv) below, the Board may seek separate shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is sought and our Company must issue a circular to the shareholders of our Company containing such relevant information from time to time as required by the Listing Rules in relation to any such proposed grant to such Eligible Participants.

(iv) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group must not, in aggregate, exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes adopted by our Group if such grant will result in the said 30% limit being exceeded.

6. Maximum entitlement of each participant

No option shall be granted to any Eligible Participant which, if exercised in full would result in the total number of the Shares issued and to be issued upon exercise of the options already granted and to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the Shares in issue. Any grant of further options above this limit shall be subject to the following requirements:

(i) approval of the Shareholders of our Company at general meeting, with such Eligible Participant and its associates abstaining from voting;

(ii) a circular in relation to the proposal for such further grant must be sent by our Company to its Shareholders with such information from time to time as required by the Listing Rules;

(iii) the number and terms of the options to be granted to such proposed grantee shall be fixed before the Shareholders' approval mentioned in (i) above; and

(iv) for the purpose of calculating the minimum exercise price for the Shares in respect of the further options proposed to be so granted, the date of board meeting for proposing such grant of further options shall be taken as the date of offer of such options.

7. Requirements on granting options to certain connected persons

Any grant of options to any director, chief executive or substantial shareholder of our Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding an independent non-executive director who is a proposed grantee).

Where any grant of options to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates would result in the total number of the Shares issued and to be issued upon exercise of the options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant:

(i) representing in aggregate over 0.1% of Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of options must be approved by the Shareholders of our Company on a poll in a general meeting where all core connected persons of our Company must abstain from voting in favour at such general meeting. Our Company will send a circular to the shareholders containing the information required under the Listing Rules.

8. Restrictions on the time of grant of options

No option shall be granted after inside information has become the subject of a decision until our Company has announced the information. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to announce its results for any year or half-year under the Listing Rules, or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. No option may be granted during any period of delay in publishing a results announcement. "Inside information" has the meaning defined in the SFO.

The Board may not make any offer to an Eligible Participant who is a Director during the period in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listing Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

9. Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the offer date subject to the provisions of termination thereof, and provided that the Board may determine the minimum period for which an Option has to be held or other restrictions before its exercise.

The grantee shall not exercise an option to the extent that the public float of our Company will be less than [REDACTED] (or such higher percentage as required by the Stock Exchange or the Listing Rules) of the issued share capital of our Company immediately after the issue and allotment of the Shares upon such exercise of the option.

10. Performance targets

Save as determined by the Board and provided in the offer of grant of the options, there is no performance target that must be achieved before the options can be exercised.

11. Ranking of Shares

The Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the Articles for the time being in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the allotment date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made after the allotment date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be on or before

the allotment date. Any Share allotted upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered into the register of members of our Company as the holder thereof.

12. Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option.

13. Rights on cessation of employment

(i) In the event of death of the grantee (being an individual) before exercising the option in full, his legal personal representatives may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his death and not exercised) within the period of 12 months following his death or such longer period as the Board may determine.

(ii) In the event of the grantee who is an Eligible Employee ceasing to be an Eligible Employee for any reason other than his death, or the termination of his employment pursuant to paragraph 18(v), the grantee may exercise the option (to the extent exercisable as at the date of the relevant event and not exercised) within 30 days following such cessation.

14. Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company while an option remains exercisable, and such event arises from, including a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to the options so far as unexercised; and/or the exercise price; and/or the method of the options; and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must be made in compliance with the Listing Rules, give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled and shall be made on the basis that the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that shares would be issued at less than their nominal value. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a [REDACTED], the independent financial adviser of our Company or the auditors of our Company must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

15. Rights on a general offer

If a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional, the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within 1 month after the date on which the offer becomes or is declared unconditional.

16. Rights on winding-up

In the event notice is given by our Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option shall be entitled to exercise all or any of his/her options (to the extent exercisable as at the date of the notice to the grantee and not exercised) not later than 2 Business Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting of our Company and our Company shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

17. Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantee on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the grantee may exercise all or any of his/her option(s) (to the extent exercisable as at the date of the notice to the grantee and not exercised) not later than 2 Business Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting and our Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

18. Lapse of options

An option shall lapse and not be exercisable on the earliest of:

(i) the expiry of the option period as set out in paragraph 9 above;

(ii) the expiry of any of the periods referred to in paragraph 13 above;

(iii) subject to paragraph 16 above, the date of the commencement of the winding-up of our Company;

(iv) subject to the scheme becoming effective, the expiry of the period referred to in paragraph 17 above;

(v) the date on which the grantee who is an employee or officer of our Group ceases to be an employee by reason of the termination of his employment on the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty;

(vi) the happening of any of the following events, unless otherwise waived by the Board:

(a) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the grantee (being a corporation);

(b) the grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within a meaning of section 178 of the Companies Ordinance or any similar provisions under the Companies Law) or otherwise become insolvent;

(c) there is unsatisfied judgment, order or award outstanding against the grantee or our Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;

(d) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of type mentioned in sub-paragraph (a), (b) and (c) above;

(e) a bankruptcy order has been made against the grantee or any director of the grantee (being a corporation) in any jurisdiction; or

(f) a petition for bankruptcy has been presented against the grantee or any director of the grantee (being a corporation) in any jurisdiction;

(vii) the date on which the grantee in any way sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any third party over or in relation to any option;

(viii) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the option, unless otherwise resolved to the contrary by the Board; or

(ix) the date on which the Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria.

19. Cancellation of options granted but not yet exercised

The Board shall have the absolute discretion to cancel any options granted at any time if the grantee so agreed provided that where an option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made with available but unissued Shares (excluding the cancelled options) within the limits approved by the Shareholders as mentioned in the Share Option Scheme from time to time.

20. Period of the Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years, after which no further options may be issued but the provisions of the Share Option Scheme shall remain full force and effect.

The Board may impose such terms and conditions of the offer of grant either on a case-by-case basis including but not limited to the minimum period for which an option must be held.

21. Alteration to the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except those specific provisions relating to matters set out in the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) which cannot be altered to the advantage of grantees or prospective grantees except with the prior approval of the shareholders of our Company in general meeting. No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the grantee as would be required of the shareholders of our Company under the Articles for the time being of our Company for a variation of the rights attached to Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature must be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of the Directors or administrators of the Share Option Scheme in relation to any alterations to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

The amended terms of the Share Option Scheme must continue to comply with the relevant provisions of the Listing Rules as may be amended.

Subject to the above paragraphs, the Board may at any time alter, amend or modify the terms and conditions of the Share Option Scheme such that the provisions of the Share Option Scheme would comply with all relevant legal and regulatory requirements in all relevant jurisdictions to the extent as considered necessary by the Board to implement the terms of the Share Option Scheme.

22. Termination of the Share Option Scheme

Our Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event, no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

Options complying with the provisions of the Listing Rules which are granted during the life of the Scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

23. Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon (i) the Stock Exchange granting the approval of the [REDACTED] of and permission to deal in any Shares to be issued and allotted pursuant to the exercise of any options in accordance with the terms and conditions under the Share Option Scheme up to 10% of the Shares in issue as at the [REDACTED].

As at the Latest Practicable Date, no option had been granted by our Company under the Share Option Scheme. An application has been made to the Listing Committee of the Stock Exchange for the approval of the [REDACTED] of, and permission to deal in the Shares to be issued and allotted by our Company pursuant to the exercise of options that may be granted under the Share Option Scheme in respect of up to 10% of the Shares in issue as at the [REDACTED].

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors

believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

(E) OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders (collectively, the "**Indemnifiers**") have, under a deed of indemnity, given joint and several indemnities to our Company for ourselves and for the benefit of our subsidiaries in connection with, among other things,

(a) any duty for Hong Kong estate duty which might be payable by any member of our Group under the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the [REDACTED] becomes unconditional;

(b) the amount of any and all taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into on or before the date on which the [REDACTED] becomes unconditional, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company, including any and all taxation resulting from the receipt by any member of our Group of any amounts paid by the Indemnifiers under the deed of indemnity;

(c) any actions, claims, losses, payments, charges, settlement payments, costs, penalties, damages or expenses which any or all of the members of our Group may incur or suffer as a result of or in connection with any failure by any or all of the members of our Group to comply with the relevant Hong Kong and PRC laws and regulations on or before the date on which the [REDACTED] becomes unconditional;

(d) any duty, tax or levy which is or hereafter become or should have become payable by the members of our Group or any of them by reason of the import or re-import of any dutiable goods, materials or machinery or import or re-import of any processed or semi-finished dutiable goods, materials or machinery on or before the date on which the [REDACTED] becomes unconditional on which duty, tax or levy has to be paid to the customs and excise authority or other governmental authority of the PRC, Hong Kong or other parts of the world pursuant to their respective laws and regulations;

(e) all reasonable costs (including all legal costs), expenses, interests, penalties or other liabilities which any of the members of our Group may properly and reasonably incur in connection with:

(i) the investigation, assessment or the contesting of any claim;

(ii) the settlement of any claim under the Deed of Indemnity;

(iii) any legal or arbitration proceedings in which any of the members of our Group claims under or in respect of the deed of indemnity and in which judgment or award is given in favour of any of the members of our Group; or

(iv) the enforcement of any such settlement or judgment or award;

(f) all claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred by any of the members of our Group directly or indirectly as a result of or in connection with:

(i) the non-compliance or alleged non-compliance by any members of our Group with any applicable laws, rules and regulations in Hong Kong, the PRC or any jurisdictions in the course of its business occurred on or before the [REDACTED];

(ii) the implementation of the Reorganisation;

(iii) the failure of any member of our Group to pay the full amount of contributions to the social insurance fund in accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法) on or before the [REDACTED]; and

(iv) the failure of any member of our Group to pay contributions to the housing provident fund for their employees in accordance with the Regulations on Management of the Housing Provident Fund (住房公積金管理條例) on or before the [REDACTED].

The Indemnifiers will, however, not be liable under the deed of indemnity for the indemnified events to the extent that, among others, provision or reserve has been made for the relevant indemnified events in the audited accounts of any member of our Group for any accounting period up to the end of the Track Record Period.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Save as disclosed in the section headed "Business — Legal Proceedings and Non-compliance", no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group as at the Latest Practicable Date.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee for the [REDACTED] of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares to be issued upon exercise of any options to be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sponsor, pursuant to which our Company agreed to pay a financial advisory and documentation fee of HK$4.8 million to the Sponsor in respect of the [REDACTED], and will reimburse the Sponsor for their expenses properly incurred in connection with the [REDACTED].

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US$5,460 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualification
First Shanghai Capital Limited	A corporation licensed to carrying on type 6 (advising on corporate finance) regulated activity under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Cushman & Wakefield Limited	Property Valuer

Name	Qualification
Khoo & Co.	Hong Kong Legal Advisers
Deheng Law Offices (Shenzhen)	PRC Legal Advisers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Hogan Lovells	International Sanctions and United States Legal Advisers

7. Consents of experts

Each of First Shanghai Capital Limited, PricewaterhouseCoopers, Cushman & Wakefield Limited, Khoo & Co., Deheng Law Offices (Shenzhen), Conyers Dill & Pearman and Hogan Lovells has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports and/or letter and/or opinion/memorandum and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none

of our Company, our Directors or other parties involved in the [REDACTED] accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 December 2017 (being the date to which the latest audited combined financial statements of our Group were made up).

11. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;

(iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or our subsidiaries; and

(iv) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) Neither our Company nor any of the subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.

(c) Save as disclosed in the section headed "[REDACTED]" in this document, none of the parties [REDACTED] in the paragraph headed "Consents of experts" in this appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.

(d) The branch register of members of our Company will be maintained in Hong Kong by [REDACTED], our Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged

for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.

(e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document.

(f) None of the equity and debt securities of our Company is [REDACTED] or dealt with in any other stock exchange nor is any [REDACTED] or permission to deal being or proposed to be sought.

(g) We have no outstanding convertible debt securities.

(h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name (which has been entered on the register of companies in the Cayman Islands as evidenced by our Company's Certificate of Incorporation) by our Company in conjunction with the English name does not contravene Cayman Islands law.

(i) The English text of this document shall prevail over the Chinese text.

(j) There are no arrangements under which future dividends are waived or agreed to be waived.

12. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided in Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **[REDACTED]**, **[REDACTED]**, and **[REDACTED]** (ii) copies of each of the material contracts referred to in the section headed "Appendix IV — Statutory and General Information — (B) Further Information about our Business — 1. Summary of material contracts" to this document; (iii) the written consents referred to in the section headed "Appendix IV — Statutory and General Information — (E) Other Information — 7. Consents of experts" to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Khoo & Co. at 2nd Floor, Tern Centre Tower 2, 251 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

(a) the Memorandum and the Articles;

(b) the Accountant's Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;

(c) the report from PricewaterhouseCoopers on the unaudited [REDACTED] financial information, the text of which is set out in Appendix II to this document;

(d) the audited combined financial statements of the companies comprising our Group during the Track Record Period;

(e) the material contracts referred to in the section headed "Appendix IV — Statutory and General Information — (B) Further Information about our Business — 1. Summary of material contracts" to this document;

(f) the written consents referred to in "Appendix IV — Statutory and General Information — (E) Other Information — 7. Consents of experts" to this document;

(g) the legal opinion prepared by Deheng Law Offices (Shenzhen), our PRC Legal Adviser, in respect of the operations and property interests of our Group;

(h) the legal memorandum prepared by Hogan Lovells, our International Sanctions Legal Adviser as to the International Sanctions;

(i) the legal memorandum prepared by Hogan Lovells in respect of certain aspects of United States law;

(j) the legal opinion prepared by Khoo & Co., in respect of certain aspects of Hong Kong law;

(k) the letter prepared by Conyers Dill and Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix III to this document;

(l) the letter relating to the rental of the properties leased from connected persons to our Group pursuant to the Hong Kong Lease Agreement, the PRC Lease A and the PRC Lease B prepared by Cushman & Wakefield Limited;

(m) the service agreements or letters of appointment of our Directors referred to in the paragraph headed "(C) Further information about substantial shareholders, Director and experts — 2. Particulars of service agreements and appointment letters" in Appendix IV to this document;

(n) the Share Option Scheme; and

(o) the Companies Law.