BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the paragraphs headed "Business — Our business strategies" in this prospectus for details of our business objectives and strategies.

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses paid and payable by our Group in connection with the Global Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.1 per Share (being the mid-point of the indicative Offer Price range of HK$1.0 to HK$1.2), will be approximately HK$86.1 million (equivalent to approximately RMB75.5 million).

Our Directors consider that the net proceeds from the Global Offering together will be sufficient to finance the implementation of our Group's business plans as set forth in the paragraphs headed "Implementation plans" in this section. Investors should be aware that any part of our Group's business plans may not proceed according to the time frame as described above due to various factors. Under such circumstances, our Directors will evaluate carefully the situation and will set aside the funds as short-term deposits until the relevant business plan(s) materialise.

Our Directors intend to apply such net proceeds as follows:

- Approximately RMB41.5 million (equivalent to approximately HK$47.3 million), representing approximately 55.0% of the net proceeds from the Global Offering, will be allocated for the construction of a new production plant to be located in proximity to our Huzhou Production Plant (the "**New Production Plant**"), of which (i) approximately RMB11.9 million will be the land acquisition costs; (ii) approximately RMB14.0 million will be used for the construction of our production facility; (iii) approximately RMB15.5 million will be used for acquiring and installing new plastic injection machines for our New Production Plant; and (iv) approximately RMB0.1 million will be used for acquiring new ancillary machinery and equipment for our New Production Plant.

  Considering (i) the machinery and equipment in our Huzhou Production Plant had almost reached their full utilisation and for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, the utilisation rates of our plastic injection machines for producing laundry products were approximately 94.4%, 95.8%, 91.0% and 93.2%, respectively; and that for household cleaning tools were approximately 99.1%, 93.8%, 95.0% and 93.2%, respectively; (ii) the space constraint and the layout of our existing Huzhou Production Plant which limit the number of plastic injection moulding machines we can install in the Huzhou Production Plant; and

(iii) the stable growth in the drying rack market and household cleaning tool market in the destination countries to which our products are delivered and the corresponding market in the PRC, we have an imminent need to increase our production capacity.

In this connection, we have identified a parcel of land in Huzhou close to our Huzhou Production Plant with a total site area of approximately 16,000 sq.m. for the construction of the New Production Plant with expected gross floor area of approximately 21,900 sq.m. to house 64 plastic injection machines, 60 automated robotic arms and a conveying belt and system, and to set up a smart warehouse. For details of the new machinery and equipment that will be installed in our New Production Plant, please refer to the paragraphs headed "Business — Our business strategies — Expand our production capacity by establishing the New Production Plant — (ii) Acquisition of new machinery and equipment for the New Production Plant" in this prospectus.

The New Production Plant is mainly used for production of the plastic components of our products which will be delivered to our Huzhou Production Plant for assembling and further processing to finished products. By doing so, we can reduce our reliance on the three external plastic injection service providers, who are connected parties to our Company, in undertaking part of plastic injection moulding process.

We expect that after commencement of the use of the new machinery and equipment in the New Production Plant aligned with the completion of upgrading our Huzhou Production Plant, our maximum annual designed capacity of (i) laundry products is expected to reach approximately 2,658,000 units by the end of 2023; and (ii) household cleaning tools is expected to reach approximately 13,378,000 units by the end of 2023.

- Approximately RMB6.0 million (equivalent to approximately HK$6.8 million), representing approximately 7.9% of the net proceeds from the Global Offering, will be allocated for enhancing the production efficiency of our Huzhou Production Plant by acquiring new machinery and equipment, including two automated powder coating lines, two semi-automated brush filling machines and two automated plastic spraying machines, together with other new machinery and equipment.

  To cope with the projected increase in the production volume of the plastic parts of our products upon commencement of operation of the New Production Plant, our Huzhou Production Plant, which will focus on powder coating, plastic spraying, brush filling and product assembly, shall enhance its production efficiency correspondingly as the average remaining useful life of our major machinery and equipment ranged from zero years to 6.8 years as at the Latest Practicable Date.

- Approximately RMB1.6 million (equivalent to approximately HK$1.8 million), representing approximately 2.1% of the net proceeds from the Global Offering, will be used to develop an integrated smart manufacturing system to allow us to monitor each state of production in real time basis and respond timely to any changes in production conditions.

- Approximately RMB11.3 million (equivalent to approximately HK$12.9 million), representing approximately 15.0% of the net proceeds from the Global Offering, will be allocated for expanding our sales and marketing network in both overseas markets and the PRC market.

  In order to capture the expected growth drying rack markets and the household cleaning tool markets in the destination countries of our laundry products and household cleaning tools, (for details of the expected growth in respective market, please see the section headed "Industry overview" in this prospectus and the paragraph headed "Business — Our business strategies — Strengthen our sales and marketing network" in this prospectus) we plan to expand our sales network by (i) recruiting nine sales and marketing staff, five of whom are responsible for devising our marketing plan and identifying new sales channels for our products in the PRC and four of whom are responsible for maintaining our relationships with our existing overseas customers and exploring more customers in the overseas market; (ii) strengthen our online sales through more e-shop platforms and setting up a new flagship online shop; (iii) expanding and exploring more effective online marketing strategies; and (iv) attending more industry exhibitions and trade fairs.

- Approximately RMB7.6 million (equivalent to approximately HK$8.7 million), representing approximately 10.0% of the net proceeds from the Global Offering, will be allocated for strengthening our design and development capabilities to enrich our product offering and diversify our product portfolio.

  We plan to strengthen our research and development capability with a view to (i) improving our product design; and (ii) improving our production techniques to achieve better production efficiency and cost saving. To this end, we plan to acquire advanced design software and equipment, recruit additional three engineers and three product designers with extensive industry experience, provide continuous trainings to our design and development staff and cooperate with universities and research institutes in the PRC.

- Approximately RMB7.5 million (equivalent to approximately HK$8.6 million), representing approximately 10.0% of the net proceeds from the Global Offering, will be used for general working capital purpose.

IMPLEMENTATION PLANS

In pursuance of the above business objectives, the implementation plans of our Group are set forth below from the Listing Date to 31 December 2023. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to the paragraph headed "Bases and assumptions" in this section below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk factors" of this prospectus. Therefore, there is no assurance that our Group's business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

	Intended capital expenditure (a)	Use of proceed: For the year ending 31 December 2021	2022	2023	Total (b)	Approximate % of net proceed	From internal resources and/or bank or other financing ((a-b), except for general working capital)
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million*		*RMB' million*
Establishment of New Production Plant and warehouse							
— Acquisition of land	11.9	11.9	—	—	11.9	15.8%	—
— Construction of New Production Plant	23.6	1.1	12.6	0.3	14.0	18.6%	9.6
— Purchase of plastic injection machines	15.5	—	7.9	7.6	15.5	20.5%	—
— Purchase of ancillary machinery and equipment	11.1	—	0.1	—	0.1	0.1%	11.0
Purchase of machinery and equipment for our Huzhou Production Plant	6.8	—	3.4	2.6	6.0	7.9%	0.8
Development of an integrated smart manufacturing system	2.0	—	1.6	—	1.6	2.1%	0.4
Expanding and strengthening our sales and marketing capacities							
— Recruiting additional sales and marketing	2.1	0.1	0.8	1.2	2.1	2.8%	—
— Strengthening our online sale	1.4	1.0	0.2	0.2	1.4	1.9%	—
— Expanding and exploring more effective manufacturing strategies	2.9	0.2	1.2	1.1	2.5	3.3%	0.4
— Participating in industry exhibitions and fairs	5.3	0.9	1.6	2.8	5.3	7.0%	—
Strengthening our design and development capabilities							
— Acquisition of advanced design software and equipment	4.3	0.9	1.7	1.7	4.3	5.7%	—
— Recruitment of expertise who possess extensive industry experience	1.2	0.1	0.5	0.6	1.2	1.6%	—
— Provision of continuous trainings to our design and development staff	1.8	0.2	0.8	0.8	1.8	2.3%	—
— Co-operate with universities and research institutes in the PRC	0.7	—	0.3	—	0.3	0.4%	0.4
General working capital *(Note)*	—	3.8	3.7	—	7.5	10.0%	—
Total	90.6	20.2	36.4	18.9	75.5	100.0%	22.6

Note: The general working capital does not constitute part of the total amount required for our implementation plan.

If the Offer Price is finally determined to be more than or lower than HK$1.1 per Offer Share, being the mid-point of the indicative range of the Offer Price, the above proposed allocation of net proceeds will applied on a pro rata basis.

If the Over-allotment Option is exercised, the additional net proceeds received from the offer of the additional Shares allotted and issued will be allocated in accordance with the above allocations on a pro rata basis. For details of the Over-allotment Option, please refer to the section headed "Structure and conditions of the Global Offering" in this prospectus.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to affect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks or authorised institutions as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended) for so long as it is in our best interests. In the event that we would require additional financing apart from the net proceeds from the issue of the Offer Shares for our future plans, the shortfall will be financed by our internal resources and bank financing, when necessary.

Should our Directors decide to re-allocate the intended use of net proceeds to other business plans and/or new project of our Group to a material extent and/or there is to be any material modification to the use of net proceeds as described above, our Group will issue an appropriate announcement in due course.

BASES AND ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 December 2023.

(a) Our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;

(b) There will be no material changes in the existing political, legal, fiscal, social or economic conditions in Hong Kong, the PRC or in any other places in which any member of our Group carries on its business or will carry on its business;

(c) There will be no material change in the funding requirement for each of our Group's future plans described in this prospectus from the amount as estimated by our Directors.

(d) There will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates.

(e) There will be no change in the effectiveness of the licences, permits and qualifications obtained by our Group.

(f) There will be no material changes in the bases or rates of taxation applicable to the activities of our Group.

(g) Our Group will be able to retain key staff in the management and the main operational departments.

(h) Our Group will be able to retain our customers and suppliers.

(i) There will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group.

(j) Our Group will not be materially affected by the risk factors as set out under the section headed "Risk factors" in this prospectus.

(k) Our Group's operations including its future plans will not be interrupted by any unforeseeable economic changes in respect of inflation, interest rate and currency exchange rate applicable to our business activities.

REASONS FOR THE LISTING

Our Directors believe the Listing will enhance our Group's profile and the net proceeds from the Global Offering will strengthen our financial position and enable our Group to implement our business strategies set out in the paragraphs headed "Business — Our business strategies" in this prospectus and to capture the anticipated growth of the drying rack market and household cleaning tool market in the destination countries to which our products are delivered and the household necessity product industry in the PRC. The reasons of the Listing are set out herein below:

(A) Satisfy our funding needs

(i) Our current available cash resources and cash flows from our operating activities are only sufficient to maintain our existing business operation but not adequate for business expansion

As at 30 April 2021, our cash and cash equivalents amounted to approximately RMB68.9 million.

Our average monthly operating cost (excluding depreciation, amortisation, impairment and listing expenses), which is mainly consisted of our cost of sales, selling and distribution expenses, administrative and other operating expenses and finance costs, for the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021 amounted to approximately RMB22.5 million, RMB22.8 million, RMB25.0 million and RMB26.0 million, respectively.

On the other hand, as at 30 April 2021, we had trade and other payables of approximately RMB110.1 million, which require regularly payments.

In light of the above, our Directors consider that our current cash and cash equivalent may be sufficient for maintaining our current business operation but may not provide sufficient buffer for us to cater for any material and unexpected adversities such as economic downturn, change in market demand for our products, delay in our customers' settlement of our receivables, natural disasters and epidemic. From a prudent financial management perspective, our Directors consider that our Group should constantly maintain a sufficient amount of immediately available cash resources for meeting the payment obligations arising from our daily operations and our liquidity needs in case of such unforeseen adversities.

Taking into account the capital required to finance our expansion plan for the year ending 31 December 2021, 2022 and 2023, respectively, and our requirement to maintain a safe general working capital level, our cash on hand is not sufficient to finance our expansion plan to a full extent.

(ii) Recent outbreak of COVID-19 in the PRC and globally intensified our liquidity pressure

Our Directors further take the view that our liquidity pressure will be intensified taking into account the recent outbreak of COVID-19 in the PRC and globally. Therefore, if we rely solely on our future operating cash flows, our business expansion plans will be susceptible to the timing as to when sufficient cash can be generated. This will inevitably prolong and place us in a relatively position in respect of the implementation of our expansion plans and, thus, may not be able to fully capture the forthcoming business opportunities driven by the forecasted growth of the demand for household necessity products in both local and global markets.

(B) Necessity of implementing our business strategies to capture more market share in the Industry

Positive market outlook and the commercial rationale for expanding our sales and marketing network

Our businesses are export-oriented, and our products are predominantly delivered for sale in the United States, the United Kingdom, Germany and Australia. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, sales made to these countries contributed in aggregate approximately RMB302.5 million, RMB310.9 million and RMB342.0 million and RMB104.6 million, respectively, accounting for approximately 92.0%, 92.3%, 88.9% and 82.8% of our total revenue, respectively.

On the other hand, we see steady growth from the destination countries to which our products are generally delivered.

According to the CIC Report, the market size of the drying rack market (which is a segment of the laundry product industry) in the United Kingdom has increased from GBP85.9 million in 2015 to GBP91.4 million in 2020, representing a CAGR of 1.2% and it is anticipated to reach GBP103.2 million in 2025, representing a CAGR of approximately 2.6% from 2021 to 2025. The market size of the drying rack market in Germany has increased from EUR178.1 million in 2015 to EUR184.2 million in 2020, representing a CAGR of 0.7% and it is anticipated to reach EUR201.4 million in 2025, representing a CAGR of approximately 1.9% from 2021 to 2025. The market size of the drying rack market in Australia has increased from AUD82.3 million in 2015 to EUR94.0 million in 2020, representing a CAGR of 2.7% and it is anticipated to reach AUD115.1 million in 2025, representing a CAGR of approximately 4.5% from 2021 to 2025.

Meanwhile, according to the CIC Reports, the household cleaning tool market in the US has increased from USD6,611.2 million in 2015 to USD7,915.0 million in 2020, representing a CAGR of 3.7% and it is anticipated to reach USD9,270.8 million in 2025, representing a CAGR of approximately 3.7% from 2021 to 2025.

According to the CIC Report, the export value of drying racks in the PRC is expected to grow from USD384.5 million to USD438.7 million, representing a CAGR of approximately 3.4% from 2021 to 2025 whereas the export value of household cleaning tools in the PRC is expected to grow from approximately USD7,507.6 million in 2021 to USD8,589.6 million in 2025, representing a CAGR of approximately 3.4% from 2021 to 2025. Hence, their respective export value in the PRC is expected to grow stably and our Directors expect that the demand for our products in general would increase steadily. For details, please see the section headed "Industry overview" in this prospectus.

In view of the overall industry growth and in order to capture the market opportunities in the overseas market, we have formulated business strategies to expand our Group's sales and marketing network for our products to customers in both the overseas market and the PRC market. Our Directors recognise the need for further capital to expand our business in order to maintain our position in the competitive household necessity product industry and capture more market share.

As such, our Directors believe that the Listing will allow us to capture more market share in the household necessity product industry albeit intense competition within the industry by effective implementation of our business strategies.

Commercial rationale to expand our production capacity and capability to cope with our future expansion

To align with our expansion plan and capture business opportunities from the markets of drying racks and household cleaning tools, we need to maintain enough spare production capacity to satisfy the potential increase in purchase orders from customers. During the Track Record Period, our plastic injection moulding machines had been running close to their full utilisation, and for the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, the utilisation rates of our plastic injection machines for producing laundry products were approximately 94.4%, 95.8%, 91.0% and 93.2%, respectively; that for household cleaning tools were approximately 99.1%, 93.8%, 95.0% and 93.2%, respectively; and that for kitchen gadgets were 65.8%, 63.1%, 98.5% and 86.0%, respectively. In view of the space constraint and the layout of our existing Huzhou Production Plant which limit the number of plastic injection moulding machines we can install in the Huzhou Production Plant, we had outsourced part of the plastic injection moulding process, which from our Directors' view, is the bottleneck of the entire production process of our products, to external plastic injection service providers, whereby our controls over the cost and quality were not as effective and direct as those over our in-house production. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, our Group's processing fees paid to these external plastic injection service providers amounted to approximately RMB12.8 million, RMB14.5 million, RMB15.9 million and RMB8.0 million, respectively, representing approximately 5.4%, 6.0%, 5.9% and 8.8% of our total cost of sales in the same years and period.

In light of (i) the historical and expected growth of market size of markets in drying racks and household cleaning tools in the destination countries to which our products are delivered according to the CIC Report, and (ii) our intention to reduce our reliance on external plastic injection service providers and to better control quality and cost of our products, there is a driving force for us to expand our own production capacity. Our Directors expect that upon commencement of operation of the New Production Plant, all plastic injection moulding process can be carried out by our in-house production in the New Production Plant and the outsourcing arrangement can then be ceased.

Commercial rationale to enhance the production efficiency of our Huzhou Production Plant

As the New Production Plant is tasked to manufacture the plastic components of all our products, to cope with the projected increase in the production volume of plastic components upon commencement of operation of the New Production Plant, our Huzhou Production Plant, which will focus on powder coating, plastic spraying, brush filling and product assembly, shall enhance its production efficiency correspondingly in order to enhance the entire production capacity of our Group as a whole. It is notable that the remaining useful life of our major machinery and equipment at the Huzhou Production Plant was an average approximately four years as at the Latest Practicable Date.

Commercial rationale to enhance our product design and development capabilities

As more particularly disclosed in the paragraph headed "Business — Our business strategies" in this prospectus, due to the nature of our products which are common items of household necessity products that are aimed to keep a home running smoothly and provide comfort and safety to users with low selling price, we are required to continue to spend our efforts to improve our product design in terms of appearance, functions, features and quality; and to improve our production techniques to achieve better production efficiency and cost saving. According to the CIC Report, the demand of consumers is getting more diversified and higher product design, research and development capability is necessary for companies in order to meet customers' various needs. Our Directors believe that enhancing product performance which are crucial to our long-term success and profitability and will strengthen our market position as a well-established OEM and ODM manufacturer of laundry products, household cleaning tools and kitchen gadgets. To cope with the future technological advancement on manufacturing technique, rapidly changing consumer's preference, demanding standards on the compositions and features of the products sold by us, we consider necessary to strengthen our research and development capabilities by enriching our product offering and enhancing their features, responding to market change on a timely basis by monitoring closely the prevailing industry and fashion trends and incorporating latest market information into our product planning process, in order to capture business opportunities and maintain our competitiveness.

(C) Pursuing equity financing versus debt financing

Our Directors have also considered the desirability to finance our expansion plans through debt financing, and determined that equity financing is more attractive than relying solely on debt financing in light of the following:

(a) Reliance on debt financing exposes us to the interest rate risk due to changes in market interest rates. Equity fund raising allows us to reduce our interest rate risks as the permanent nature of equity capital does not involve recurring interest expenses. Heavy reliance on debt financing would subject our Group to higher interest rate and finance costs. Our Directors consider that our financial performance and liquidity may be negatively affected due to principal and interest payments if we proceed with debt financing to fund our expansion plans;

(b) Our Directors also believe the listing status will also allow our Group to gain leverage in obtaining bank financing on more favourable terms such as the provision of a corporate guarantee by our Company rather than such personal guarantees, thus offering us more flexibility in financing our operations; and

(c) Lending banks generally require our Controlling Shareholders to provide collateral or personal guarantee to secure our payment obligations, especially for long-term loans of significant amount. There is no assurance that such security will be made available by our Controlling Shareholders at all times and the withdrawal or unavailability of any such security for whatever reasons would reduce the amount of banking facilities made available to us. It would also not be in the best interest of our Company to rely on debt financing which commonly requires personal guarantee or collateral provided by our Controlling Shareholders and/or Directors as it is our strategy to minimise connected transactions in order to carry out our business independently from connected persons.

Balancing the above factors and having considered our funding needs for implementing our expansion plan, our Directors consider that equity financing is a more attractive option than debt financing at this juncture and that pursuing equity financing by way of Listing is in the interest of our Company and its Shareholders as a whole.

(D) Enhance our Group's brand awareness, market reputation and competitiveness

Our Directors consider that the public awareness and market reputation of our Group is crucial for our business expansion in the overseas market. The increased level of information transparency after Listing would give our existing and prospective customers and suppliers public access to our Group's corporate and financial information, which could further enhance their confidence in our Group. In this sense, the Listing will help consolidate our established business relationships with brand owners and chain retailers, among others, which are a key competitive advantage in the industry. We will have a higher industry standing as a result, with increased corporate and brand visibility in the market.

We rely on qualified and experienced designers and engineers in product development process, particularly our ODM and OBM sales. Following the Listing, our corporate profile and enhanced brand awareness can help us attract, recruit and retain skilled employees, which is instrumental for our long-term growth.

(E) The Listing can create liquidity for our Shares and broaden our Shareholder base

Following the trading of Shares on the Stock Exchange, investors will have access to our Shares through equity markets. Our Directors are of the view that, once there is liquidity of our Shares through the Listing, our Shareholder base will be broadened, whereby our Company can diversify our capital-raising activities rather than solely relying on the revenue generated from our business operation and debt financing.