You should consider carefully all the information set out in this listing document and, in particular, the risks and uncertainties described below before making an investment in our Shares. The occurrence of any of the following events could harm our Group and our Group's business or financial condition, or results of our operations could be materially and adversely affected by any of these risks. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment.

There are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to the PRC; (iv) risk relating to the International Sanctions; and (v) risks relating to the Spin-off and our Shares.

RISKS RELATING TO OUR BUSINESS

We are subject to price fluctuation in raw materials prices and could face shortage in supply of our raw materials

Our raw materials mainly consist of the ingredients for our products as well as packaging materials. Our raw material costs accounted for approximately 87.7%, 87.6% and 87.3% of our total cost of sales for the three years ended 31 December 2018, respectively. Our major raw materials include solvents, aerosol cans (including tinplate and aluminum cans) and packaging materials (such as dip-tubes, valves and paper-boxes). In particular, depending on the market supply and demand conditions, the prices of our raw materials fluctuate and are materially influenced by the economic growth in the PRC and the price of global crude oil, which is beyond our control. A significant volatility in the price levels of our raw materials could increase our operating costs and adversely affect our profit margin.

We have not hedged against changes in commodity prices, and we do not intend to enter into such hedges in the future. We expect that our raw materials prices will continue to fluctuate and be affected by the factors stated above in the future. As such, an increase in the prices of our raw materials, inability to pass on or delay in passing on any increase in our costs of raw materials to our consumers or inability to identify and source from alternative suppliers may have a significant impact on our profit margin and our profitability.

Save for the Master Supply Agreement entered into after the Track Record Period, details of which are set out in the section headed "Continuing connected transactions — Non-exempt continuing connected transaction — Master Supply Agreement" in this listing document, we do not have long-term contractual arrangements with our suppliers. If all or a significant number of our suppliers for any particular raw material and/or packaging material are unable or unwilling to meet our production requirements, or if we are unable to obtain raw materials in quantities and of the quality we require at commercially reasonable prices, our production volume, product quality or profitability may deteriorate and we could suffer shortages or significant cost increases which in turn may have a material adverse impact on our business, financial condition and results of operations.

Our sales could be adversely affected by changes in consumer preferences, perception of the effectiveness of our products, demand for our products, consumer spending and failure to develop, launch and promote new products and enhance our existing products

We gauge consumer preferences and industry trends by obtaining customers' feedback on our products and collecting market intelligence such as information about competing products from time to time. Our business depends substantially on our ability to identify market trends and continuously adapt our brand perception and product portfolio to changes in consumer preferences and tastes, consumer income and consumer spending patterns. Our future success will depend on our ability to anticipate, identify or adapt to such changes, and our ability to continue to introduce new products or upgrade our existing products in response to such perceived market trends and customers' requests. We cannot predict nor guarantee the success and profitability of our new products which we may seek to introduce. As part of our business strategies, we plan to continue our efforts in broadening the international markets of our OBM products and further enhancing our brand recognition, in particular, among young people in the PRC. Please refer to the section headed "Business — Our products — New products launched in 2018" in this listing document for more details of our new products. We also plan to further expand into the personal care product market in the PRC. There is no assurance that we would succeed in identifying and adapting to consumer preferences. In addition, we may not be able to react in a timely and cost-effective manner by adjusting the production schedule of our products that are experiencing declining consumption. There is no assurance that we can successfully adopt business strategies to weather the impact of any drop in consumer spending or demand in the event of continuous economic downturn.

Besides, since different product types have different levels of demand and selling prices, our revenue and profit margins depend on changes in our product offerings. For the three years ended 31 December 2018, (i) sale of our automotive beauty and maintenance products had gross profit margins of approximately 35.6%, 29.1% and 25.1% and accounted for approximately 90.4%, 86.7% and 78.6% of our revenue; (ii) sale of our personal care products had gross profit margins of approximately 19.7%, 24.3% and 28.8% and accounted for approximately 8.4%, 11.4% and 20.6% of our revenue; and (iii) sale of our other products (including household products such as paint and floor polish), packaging materials (such as dip-tubes, valves and paper-boxes) and car cleaning kits and tools had gross profit margins of approximately 22.0%, 24.4% and 12.9% and accounted for approximately 1.2%, 1.9% and 0.8% of our revenue, respectively. There is no assurance that we would succeed in maintaining our customers' demand for or preference on our products. If we are unable to price our products at reasonable gross profit margins, or if our customers' demand for our products decreases, our results of operations may be materially and adversely affected.

Our business relies significantly on the strength of our brands and reputation, as well as the trust and confidence of our consumers

We rely significantly on the strength of our brands and reputation in order to generate consumer demand for our products. In particular, OBM products sold under our BOTNY (保賜利) brand accounted for approximately 44.3%, 47.7% and 42.8% of our revenue, respectively, during the Track Record Period. Our brands and reputation can be damaged by product defects, safety and health issues (including product recalls), counterfeit products, ineffective customer service, product liability claims, consumer complaints, allegations or rumours, or negative publicity or results which may erode our reputation and consumer acceptance of our brands. Additionally, our brands and reputation may be damaged by other actions of third parties over whom we have no or limited control, including our customers and suppliers as well as other industry participants entirely unrelated to us. In the event that our brands or reputation are damaged or our customers lose their trust and confidence in us, we may suffer a loss of revenue or market share, which could materially and adversely affect our business, financial condition and results of operations.

We face intense competition from our competitors in the automotive beauty and maintenance product industry in the PRC

According to the CIC Report, the manufacturing of aerosol products used in the automotive beauty and maintenance market is relatively concentrated, with the leading five companies accounting for approximately 35.7% of the total market in terms of sales revenue in 2018. Notwithstanding, a high degree of product homogeneity has exacerbated the market competition in terms of pricing. Since aerosol products used in the automotive beauty and maintenance market tend to have similar product packaging and similarities in their functionality, market participants usually compete in terms of pricing, which ultimately intensifies competition among manufacturers and puts further pressure on the growth of existing companies in the market. Some of our competitors may have substantially greater financial resources, product development capabilities or better brand recognition than we have. They may leverage on their financial strength to improve their production and marketing capabilities, diversify their product portfolio, develop effective substitutes for our products, locate their production facilities in strategic locations and recruit experienced management personnel. We cannot assure you that we will be able to react to and match the business development of our competitors in a timely manner or at all. We also cannot assure you that our competitors will not actively engage in activities designed to undermine our brands and product quality or to influence consumer confidence in our products. In addition, new competitors may seek to enter or expand into our industry. If we are unable to compete effectively with our competitors or if we fail to remain competitive, it could materially and adversely affect our business, financial condition and results of operations.

We rely on our third-party distributors to sell and distribute our OBM products

We rely on third-party distributors to sell and distribute our OBM products. During the Track Record Period, sales to our distributors (including contractual and non-contractual distributors) accounted for approximately 93.6%, 93.0% and 90.6% of our total OBM sales, respectively. Accordingly, our sales volumes depend on the performance of our distributors in marketing our OBM products. However, the effectiveness of our distributors in selling and distributing our OBM products may be affected by a number of factors, many of which are out of our control, including:

- our distributors maintaining relationships with their sub-distributors and other wholesalers and retailers;
- our distributors' strategies in promoting our OBM products;
- our distributors' own financial performance;

- our distributors' willingness to maintain relationships with us; and
- our ability to maintain and expand our distribution network.

In the event our distributors fail to effectively sell and distribute our OBM products, it could result in a significant decrease in our sales volume, which may materially and adversely affect our business, financial condition and results of operations.

We generally do not enter into long-term arrangements with our distributors and CMS customers and we may fail to maintain these relationships or develop new ones

We generally enter into distribution agreements with our contractual distributors for a one-year term. These agreements include a range of terms including the designated distribution area, sales target and incentive scheme by way of product discounts. For efficiency and consistency in our management of contractual distributors, we adopt a standardised distribution agreement. We may not be able to enter into new or renewal agreements with our contractual distributors as they may choose to enter into arrangements with our competitors who may offer them access to a diversified product portfolio or more favourable economic terms, including more attractive discounts and credit periods. The loss of our contractual distributors could adversely affect our sales volume. There is no assurance that our current or future contracts with our contractual distributors can be renewed or negotiated on terms and prices equivalent to or better than current terms and prices. Furthermore, during the Track Record Period, we derived substantial revenue from our OBM sales through our non-contractual distributors with which we did not enter into distribution agreements. Any disruption in our relationships with our distributors (both contractual and non-contractual distributors) could affect our ability to maintain and grow our sales volume, which could materially and adversely affect our business, results of operations and financial position. In addition, there can be no assurance that we will be able to develop new relationships with additional distributors (both contractual and non-contractual distributors) or maintain or increase collaboration with our existing distributors or that our incentives provided to our distributors will be effective in generating more sales for us. We are also exposed to the risk that distributors may seek to impose unfavourable terms on us in the future, such as longer credit periods. Credit arrangement with our distributors adds pressure on our working capital and exposes us to the risks of default and bad debts.

In addition, we generally do not enter into long-term agreements with our CMS customers. As a result, if our CMS customers decide not to place any purchase order to us or insist on any new term for purchase of our products which are not acceptable to us, our sales may decline if we are unable to find alternative customers in a timely manner. In such event, our business, financial condition, results of operations and growth prospects may be adversely affected.

We have limited control over the practice and manner of sales of our distributors (both contractual and non-contractual) and their sub-distributors, other outlets and other customers

Despite having in place our monitoring and management system, due to the large number of our distributors and size of the market, it is difficult to monitor all aspects of our distributors' practices thoroughly and substantively. Our distribution agreements with our contractual distributors generally allow us to unilaterally terminate the agreements in the event of a material breach by our contractual distributors. Even though we have direct contractual relationships with our contractual distributors, we cannot assure you that our contractual distributors will at all times strictly adhere to the terms and conditions of our distribution agreements. For example, our contractual distributors may sell beyond their designated distribution areas. In the event that our contractual distributors breach the distribution agreements, there is no assurance that we will be able to obtain an adequate amount of compensation in a timely manner.

For our non-contractual distributors, we do not enter into distribution agreement with them. As such, we can only rely on a series of measures in managing the performance of our non-contractual distributors, such as random check of the performance of our non-contractual distributors by our sales personnel through physical visits. In the event that our products are distributed outside the regions as agreed with us, it may result in potential competition with other non-contractual distributors and our business, financial condition and results of operations could be adversely affected.

As we do not have any contractual relationships with nor direct control over the sub-distributors, other outlets (including supermarkets, community stores, convenience stores, authorised car dealers, automotive beauty and maintenance service providers and online retailers) or other customers of our distributors, we rely on our distributors to manage their sub-distributors, other outlets and other customers. However, we have no recourse against our distributors for non-compliance or improper business practice of their sub-distributors, other outlets or other customers. Moreover, our distributors may fail to enforce the terms of our distribution agreements and/or our pricing policy through their sub-distributors, other outlets and other customers. For example, under our distribution agreements, (i) distributors are required to set their sales strategies in consultation with us; (ii) we are entitled to require distributors to provide us with monthly sales and inventory data and other information including the names of their customers and re-sell prices from time to time; and (iii) we also have the right to inspect and examine the sales records of our distributors. Breach of such terms by our distributors due to failure on their part to manage their sub-distributors, other outlets or other customers would defeat our intended business purposes. In addition, if our distributors, their sub-distributors, other outlets or other customers engage in improper business practice, it would damage our brands and reputation and cause negative impact on consumer perception of our products. All these factors may adversely affect our business, financial condition and results of operations.

Our measures implemented to minimise the risk of cannibalisation among us and our distributors and/or among our distributors within the same sales channel and/or among different sales channels may not be effective

We are unable to prevent our potential end-customers from opting one distributor or one sales channel over another for personal, technological, geographical or economic reasons. We have implemented various measures to minimise the risk of cannibalisation among us and our distributors and/or among our distributors within the same sales channel and/or among different sales channels. For further details, please refer to the section headed "Business — Our customers — Our OBM customers — (1) Distributors — Measures to avoid cannibalisation" in this listing document. If these measures are ineffective, channel stuffing and cannibalisation among us and our distributors (both contractual and non-contractual and/or among our distributors within the same channel and/or among different sale channels may adversely affect the performance of our distributors and therefore our results of operations.

Our customers may delay and/or default in their payments to us

For the three years ended 31 December 2018, we impaired trade receivables in the amounts of approximately HK$0.5 million, HK$1.0 million and HK$0.8 million, respectively. Our trade receivables are mainly related to the balances of our CMS customers which accounted for approximately 72.3%, 72.5% and 65.9% of our total trade receivables as at 31 December 2016 and 2017 and 2018, respectively. As at the Latest Practicable Date, we received approximately 82.1% of our trade and bills receivables as at 31 December 2018.

There is no assurance that our customers meet their payment obligations on time or in full, or that our trade receivables turnover days will not increase. The insolvency of our customers or otherwise inability to pay us on time may adversely affect our business, financial condition and results of operations.

We manufacture our OBM products on a made-to-stock basis with reference to our sales forecast, which may not be accurate

We manufacture our OBM products on a made-to-stock basis, that is, we manufacture before our OBM customers place orders with us, with reference to our sales forecast prepared based on our understanding of historical sales and perceived market trends. For details, please refer to the section headed "Business — Inventory control" in this listing document. If our sales forecast turns out to be inaccurate and our OBM customers do not place orders with us in the volumes expected by us, our OBM products produced may not be absorbed by other customers and our business, results of operations and financial condition may be adversely affected.

Transfer pricing risk

We adopted transfer pricing arrangement among our Group companies in Hong Kong, Japan and the PRC to regulate intra-group trades. For details, please refer to the section headed "Business — Legal compliance — Transfer pricing" in this listing document. Our tax position may be subject to review and possible challenge by the relevant government authorities and any possible change or challenge in laws.

In the event that our tax position is subject to review and possible challenge by the relevant tax authorities or there is a change in the tax policy and relevant tax laws in Hong Kong, Japan and/or the PRC, it may adversely affect our financial position and results of operations. In preparing our financial information, our Directors have reviewed and assessed our transfer pricing risk as it is possible that the tax authorities may challenge our transfer pricing policy, although our Directors believe that we have grounds to defend against such possible challenge. However, there can be no assurance that we will not be found to be operating in breach of the relevant transfer pricing-related laws, or that such laws will not be modified, which, as a result, may require changes to our transfer pricing practice or operating procedures. Any determination of income reallocation or modifications of the relevant transfer pricing-related laws could result in an income tax assessment and other relevant charges on the portion of income deemed to be derived from the taxing jurisdiction that so reallocates the income or modifies its relevant transfer pricing-related laws.

Our business may be adversely affected by poor handling and delays in delivery by our third party logistics service providers

We rely on third party logistics services providers to provide transportation services for the distribution of our products to our customers. Delivery disruptions may occur for various reasons many of which are beyond our control, including natural disasters, extreme weather, labour strikes and traffic conditions. In addition, poor handling by the logistics services providers could also cause damage to our products. If our products are not delivered to our customers on time, or are delivered damaged, even though the third party logistics providers are responsible for the risks associated with delivery according to our agreements with them, we may have to pay compensation to our customers. Poor handling and delays in delivery may adversely affect our reputation and cause losses to our customers, which in turn may materially and adversely affect our business, financial condition and results of operations.

Our financial performance might vary due to factors that are beyond our control

Our profit attributable to equity holders of our Company increased by approximately 20.1% for the year ended 31 December 2016, decreased by approximately 43.5% for the year ended 31 December 2017 and increased by approximately 6.3% for the year ended 31 December 2018, as compared to the previous year. Please refer to the section headed "Financial information — Description and analysis of principal components in the combined statements of profit or loss and other comprehensive income" in this listing document for further details. Our revenue, expenses and financial results may vary from period to period in response to a variety of factors, such as developments in the macroeconomic and regulatory environment, changing competitive dynamics, fluctuation in raw material prices, as well as evolving consumers' preference, many of which are beyond our control. If we are unsuccessful in addressing any of these risks and uncertainties, our business and our ability to achieve profitability may be materially and adversely affected. Accordingly, our results of operations and financial performance may not meet the expectations of market analysts or investors, which could cause the future price of our Shares to decline.

Some of our properties in the PRC are subject to risks arisen from defective titles and we may be required to demolish such structures or pay fines

As at the Latest Practicable Date, five structures (including a research and development centre, a switch-board room, a security guard room, a tennis court and a boiler room) with a gross floor area of approximately 3,185.27 sq.m. erected on the North Jufeng Land did not hold a building ownership certificate. As advised by our PRC Legal Advisers, the competent authority may order the demolition of the relevant structures or impose a maximum fine of approximately RMB425,000 on us. For further details, please refer to the section headed "Business — Non-compliance — 1. Structures without valid building ownership certificates" in this listing document.

We may fail to maintain an effective quality control system and may be subject to claims by our customers and consumers of our products in respect of product quality and compliance with relevant health and safety standards, and our insurance coverage might not be sufficient to cover our potential losses in product liability claims.

The quality of our products is vital to the success of our business in the industry. Our quality control depends significantly on the effectiveness of our quality control system, which, in turn, depends on a number of factors, including the design of the system, the machines and equipment used, quality of our staff and related training programmes and our ability to ensure that our employees adhere to our quality control policies and guidelines. For details of our quality control, please refer to the section headed "Business — Quality assurance" in this listing document.

We may at times be involved in litigation or other legal proceedings during our ordinary course of business related to, among other things, product or other types of liability, labour disputes or contractual disputes that could have a material and adverse effect on our financial condition. If we become involved in any litigation or other legal proceedings in the future, the outcome of such proceedings could be uncertain and could result in settlements or outcomes which negatively impact our reputation and our financial condition. In addition, any litigation or legal proceedings could incur substantial legal expenses as well as significant time and attention of our management, diverting their attention from our business and operations.

During the Track Record Period, we faced two defective products claims from two of our CMS customers, which our Group had eventually paid approximately RMB206,000 and RMB150,000 to the respective CMS customers as settlement. There can be no assurance that our quality control system will continue to be effective. Any significant failure in or deterioration of the efficacy of our quality control system could damage our product quality and have an adverse effect on our reputation in the market among our existing or prospective customers. It will, in turn, lead to reduced orders or loss of customers in the future, thus severely harming our business, financial condition, results of operations and prospects.

In particular, we face an inherent risk of exposure to product liability claims in the event that the use of our products results in health or safety issues or damages. The end-consumers of our products may have the right to bring an action under tort and we may also be subject to tortious liabilities for any damages caused by defects of our products. According to the Tort Law of the PRC (中華人民共和國侵權責任法) which was promulgated by the Standing Committee of the National People's Congress ("**Standing Committee of the NPC**") on 26 December 2009 and became effective since 1 July 2010, if damage or physical injury is incurred due to product defect, the manufacturer of the product and the seller shall assume civil liability in accordance with the above-mentioned law and other related laws and regulations. In addition, we export certain amount of our products from the PRC to our overseas customers and we rely on other entities such as our agents and our foreign customers to comply with the relevant procedures and regulations.

There is no assurance that we would not be named as a defendant in a lawsuit or proceedings brought by end consumers in the future in respect of our products in the event that our products are found to be harmful for or detrimental to human health, resulting in illnesses or deaths of any persons. A successful claim against us in respect of our products or a material recall of our products may result in (i) significant financial costs to be incurred and management efforts to be spent in defending against such claim or other adverse allegations or rectifying such defects or making payment for damages; (ii) deterioration of our brand and corporate image; and (iii) material adverse effect on our business, financial condition and results of operations.

Our ability to compete may be hampered if our intellectual property rights are infringed by third-parties or, on the other hand, if we are alleged or found to have infringed the intellectual property rights of others

We have developed trademarks, patents, copyrights, industrial know-how, product formula, production processes, technologies and other intellectual property rights that we believe are of significant value to us. As at the Latest Practicable Date, we had 200 registered trademarks, six registered invention patents and 12 registered utility model patents in the PRC, five registered trademarks in Hong Kong, one registered trademark in Japan, one registered trademark in Spain and three registered trademarks in South Korea. We are in the process of applying for the registration of 103 trademarks in the PRC and other trademarks in Singapore, Chile, Taiwan, Malaysia, Pakistan, South Korea, Sri Lanka and the United States. Please refer to the section headed "Appendix V — Statutory and general information — C. Intellectual property rights of our Group" in this listing document for more details.

Counterfeiting and imitation of popular consumer and branded products occur in the PRC. Most of our products are marketed under our own or licensed brands BOTNY (保賜利), ATM, ETOMAN (已度明), NISSEI, WIN (勝彩), FOX-D (狐狸), PISCIS (百麗時) and PARLUX (派樂士) which are critical to our success. We believe the popularity of our brand names may make them a target of counterfeiting or imitation by third parties. It may be possible for third parties to obtain and use our intellectual property rights without authorisation or for third parties to copy or imitate our intellectual property rights hence causing confusion and mislead end-customers to believe the counterfeit products, which are usually of poor quality, are our products. This may adversely affect our sales, damage our reputation, or increase our administrative costs in respect of detection, investigation and prosecution. We cannot assure you that our intellectual property rights will not be counterfeited or misappropriated by third parties and, if such counterfeiting or misappropriations do occur, whether we will be able to detect and deal with them effectively.

On the other hand, we cannot be certain that our intellectual property rights will not be challenged by third parties, whether with or without merit. Certain unrelated third parties may own intellectual property rights which may be considered to be similar to ours. In particular, similar trademarks and slogans registered or used by unrelated third parties may cause confusion in the market regarding our brand names and slogans. We were advised by our PRC Legal Advisers that as at the Latest Practicable Date, trademarks legally registered by us were protected by the applicable laws and regulations in the PRC and can be duly used on the packaging or containers of our products. Although we were not aware of any pending or threatened claims against us for material infringement of intellectual property rights as at the Latest Practicable Date, there is no assurance that owners of similar trademarks and slogans will not institute litigation or other forms of proceedings against us, whether with or without merit. In addition, we could face difficulty and incur additional expenses during our future expansion because of the existence of any similar trademarks or slogans owned by unrelated third parties. Furthermore, if the market is confused as such and the general consumers are unable to differentiate our products with those that are produced by owners using similar trademarks and slogans, we will be exposed to the risk that our reputation can be adversely affected by the actions of others beyond our control, for example where these owners produce products that have low quality or possess safety and/or health issues. In the event that our brands or reputation are damaged or our consumers lose their trust and confidence in us, we may suffer a loss of revenue or market share, which could materially and adversely affect our business, financial condition and results of operations.

We may from time to time be required to institute or be involved in litigation, arbitration or other forms of proceedings, including settlements, to enforce or defend our intellectual property rights, which would likely be time-consuming and expensive and would divert our management's time and attention regardless of their outcome. If any third party infringes our intellectual property rights or if we are alleged or found to have infringed the intellectual property rights of others, it may materially and adversely affect our business, financial condition and results of operations.

Our business is dependent on the continuous operation of our production facility

We have two production facilities in the Conghua District of the Guangdong Province, the PRC, with our major production conducted in the North Jufeng Plant. Our facilities are subject to operational risks, such as the breakdown or failure of our major equipment, power supply or maintenance, performance below expected levels of output or efficiency, obsolescence, labour disputes, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. Where events that limit our ability to operate our facilities occur, we may need to incur substantial additional expenses to repair or replace the damaged equipment or facilities. The temporary closing down of our production facilities would severely affect our daily production and business operation. Our ability to manufacture and supply products and ability to meet delivery obligations to our customers would be significantly disrupted, and our relationships with our customers could be damaged, which could materially and adversely affect our business, financial condition and results of operations.

In order to conduct maintenance, statutory inspections and testing, we may carry out planned shutdowns from time to time. We may also shut down production lines from time to time for capacity expansion and equipment upgrades. Although we take precautions to minimise the risk of any significant operational problems at our facilities, our business, financial condition and results of operations may be adversely affected by any disruption of operations at our facilities, whether caused by any of the factors mentioned above or otherwise.

During the Track Record Period, we engaged labour dispatch services from a labour dispatch entity. We will continue to rely on third-party human resources companies for provision of labour

During the Track Record Period, Guangzhou Euro Asia entered into various labour dispatch agreements with a labour dispatch entity for its provision of labour dispatch services. From time to time, Guangzhou Euro Asia and Guangzhou Botny who shared the labour dispatch services from Guangzhou Euro Asia under the said agreements, engaged and utilised dispatched staff when we required a large amount of temporary workforce to assist our technical staff due to operation and production need. For further details, please refer to the sections headed "Regulatory overview — Laws and regulations on labour and safety" and "Business — Non-compliance — 2. Dispatched labour" in this listing document.

In September 2018, Guangzhou Euro Asia terminated the labour dispatch agreement then in force with the relevant labour dispatch entity, and each of Guangzhou Botny and Guangzhou Euro Asia entered into a labour outsourcing agreement with a human resources company, pursuant to which, among others, the relevant human resources company would be responsible for the management of the sub-contracting staff. We may not be able to monitor such outsourced labour as directly and efficiently as our own employees. Furthermore, we cannot assure that the performance of such outsourced labour can meet our requisite standards. Their substandard services may adversely affect our operation and production, which in turn negatively affect our business, financial conditions and results of operations.

Failure to renew our licences and permits

Under relevant PRC laws and regulations, we are required to hold various licences and permits in order to conduct our business. As at the Latest Practicable Date, five structures with a gross floor area of approximately 3,185.27 sq.m. erected on the North Jufeng Land did not hold a valid building ownership certificate, which the competent authority may order the demolition of the relevant structures and/or impose a maximum fine of approximately RMB425,000 on us. Please refer to the section headed "Risk factors — Risks relating to our business — Some of our properties in the PRC are subject to risks arisen from defective titles and we may be required to demolish such structures or pay fines" in this listing document for more details. We are also required to comply with applicable regulations and standards in relation to our production and the quality of our products. Our PRC Legal Advisers advise and our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in the section headed "Business — Legal compliance" in this listing document, we had complied with all applicable laws and regulations in the PRC in all material respects and have obtained all the necessary permits, licences and certificates that are material to conduct our business. However, some of our permits, certificates and licences are subject to renewal on annual or other regular basis and/or need to be renewed in the coming years. Failure to renew such licences, permits or certificates may cause temporary or even permanent suspension of our production and disruption of our operations, thus having material adverse effects on our business and financial conditions.

Non-compliance with existing and future health, safety and environmental policies, laws, rules and regulations may lead to imposition of fines penalties and other liabilities and our compliance costs may increase if environmental protection laws become more onerous

Our operations are subject to the PRC's health, safety and environmental policies, laws, rules and regulations which, among other things, require manufacturers to ensure that the production plants and facilities meet the requirements of the relevant production safety laws, regulations and standards, conduct an environmental impact assessment before engaging in new construction projects, receive approval and pass environmental acceptance check before the commencement of production, pay fees in connection with activities that discharge waste materials, properly manage and dispose of hazardous substances, and impose fines and other penalties on activities that threaten or contaminate the environment. Any violation of the applicable health, safety and environmental policies, laws, rules or regulations may result in orders of corrections, fines, shutdown of production and obligation to take corrective measures. Further, any violation which is criminal in nature may result in criminal sanction. Moreover, violations of health, safety and environmental policies, laws, rules and regulations or other related incidents may result in our liabilities to third parties. Consequently, any non-compliance incidents could materially and adversely affect our business, financial condition and results of operations.

Further, there can be no assurance that the PRC government will not change existing laws or adopt more stringent practice as to the enforcement of health, safety and environmental regulations. Due to the uncertainty of regulatory developments and interpretation of laws and regulations, and the amount of related expenditures we may need to incur beyond those currently anticipated, we also cannot assure you that we will be in full compliance with the health, safety and environmental regulations at all times. If such costs become prohibitively expensive, we may be forced to adjust, limit or cease certain aspects of our business operations.

Our facilities and operations may require continuous and substantial investment and upgrading

We have continued to invest and upgrade our production facilities to improve our production capability, increase our production lines, enhance the quality of our products and enhance the automation and cost-effectiveness of our products. Our research and development team develops new products and optimises our existing products, and we require substantial investment and upgrading to apply these research results and to expand our production capacity and enhance our automation processes. If our investment and upgrading costs are higher than anticipated or our business does not develop as anticipated to appropriately utilise new or upgraded facilities, our costs and financial performance could be negatively affected.

Our performance depends on favourable labour relations with our employees and any deterioration in these relations or a shortage of labour and a rise in labour costs may have an adverse effect on our operations

We rely on a significant number of skilled personnel and workers to support our product development and manufacturing processes. As at the Latest Practicable Date, we had a total of 483 employees (exclusive of Directors). Our success is dependent on our ability to hire, train, retain and motivate our employees. If our employees are not satisfied with what we offer, such as remuneration package or working environment, we may not be able to retain them and to replace them with personnel of appropriate skill set at comparable costs. In such event or in the event that the regions near our production facilities do not have a sufficiently sizable labour force, we may need to expend additional resources to attract and recruit suitable employees. Favourable labour relations are essential to our performance, and any material increase in our labour costs may have an adverse effect on our results of operations.

We may not be able to retain our core management team and key employees for our business operations

Our continued success depends significantly on the ongoing management by our senior management and key employees. We rely on our management team comprising our executive

Directors and senior management as set out in the section headed "Directors, senior management and employees" in this listing document for their extensive knowledge and experience in our Group and the automotive beauty and maintenance and personal care products industry, as well as their in-depth understanding of market conditions and the regulatory regime. Failure to retain any of these senior management members and key employees could adversely affect our ability to sustain and develop our business.

Furthermore, competition for qualified personnel in the PRC is intense and the availability of suitable candidates is limited. Our competitors may seek to solicit our personnel and we may not be able to attract or retain suitably qualified personnel. Our failure to attract and retain qualified personnel could also materially and adversely affect our business, financial condition and results of operations.

Failure or security breach of our information technology system may disrupt our operations

We increasingly rely on information technology systems to process, transmit and store information in relation to our operations. For example, all of our production facilities, production processes and inventory management system utilise information technology to maximise efficiencies and minimise costs. Our information technology systems may be vulnerable to interruption due to a variety of events beyond our control, including but not limited to, natural disasters, telecommunications failures, computer viruses, hackers and other security issues. Any such interruption to our information technology system could disrupt our operations and negatively impact our production capacity and ability to fulfill sales orders, which could have an adverse effect on our business, financial condition and results of operations.

We may not be able to efficiently manage our inventory and may be exposed to risks of obsolete inventories

Our inventories consist of raw materials, work-in-progress and finished goods. We manufacture our CMS products on a made-to-order basis, and we manufacture our OBM products on a made-to-stock basis. For details, please refer to the section headed "Business — Inventory control" in this listing document. We believe that maintaining an appropriate level of inventories helps us deliver our products to meet the market demands in a timely manner. Our balance of inventories as at 31 December 2016 and 2017 and 2018 amounted to approximately HK$42.1 million, HK$54.4 million and HK$57.0 million, respectively.

We cannot assure you that we will not experience any slow movement of inventories, which may result from our reduced sales due to change in consumer preferences, change of marketing strategy by our customers or incorrect estimation of the market demand for our products. As such, if we fail to manage our inventories effectively or are unable to sell our excess inventories, we may face a risk of inventory obsolescence and/or significant inventory write-downs, which may impose pressure on our operating cash flow, and materially and adversely affect our business, financial condition and results of operations.

We are exposed to the risk from foreign exchange rate fluctuations

While RMB is the functional currency used by our principal subsidiaries in the PRC for conducting transactions, export sales during the Track Record Period were mainly conducted in USD. We are therefore exposed to foreign currency risks as a result of sales that are denominated in a currency other than RMB, and in particular, in USD. Our profit margins may be adversely affected if we are unable to increase the USD denominated selling prices of our products sold to overseas customers to account for the appreciation of RMB against USD.

In addition to the exchange differences arising from transactions conducted by us, we may also be subject to foreign exchange gain or loss as our consolidated financial statements are denominated in Hong Kong Dollars while most of our assets/liabilities are denominated in RMB. Such gain or loss is recorded in the combined statements of other comprehensive income/loss of our Group. During the Track Record Period, approximately HK$15.9 million and HK$16.6 million of exchange differences on translation of foreign operations were recorded as other comprehensive loss for each of the years ended 31 December 2016 and 31 December 2018, respectively, while approximately HK$18.5 million of exchange differences on translation of foreign operations was recorded as other comprehensive income for the year ended 31 December 2017. Any exchange rate volatility relating to RMB may affect our value of net assets and profits. Exchange rate fluctuations between RMB and USD may also result in increase or decrease in our reported costs and earnings, which may materially and adversely affect our financial condition and results of operations.

We used derivative financial instruments such as forward contracts to hedge our foreign currency exposure in 2015. We did not enter into any hedging contracts for the three years ended 31 December 2018. As at the Latest Practicable Date, we had not entered into any hedging transaction in an effort to reduce our exposure to foreign currency exchange risks. In the event that we use any derivative financial instrument such as forward contracts to hedge our foreign currency exposure in the future, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all, which may in turn materially and adversely affect our financial condition and results of operations.

RISK RELATING TO OUR INDUSTRY

Liabilities in connection with the use of hazardous materials and risks of serious injury through the use of our production equipment

Our production process involves the use and storage of flammable and/or explosive raw materials such as liquefied petroleum gas or any other environmental or hazardous materials (for instance, VOCs) or any other chemical compounds, which may cause industrial accident if we do not handle these materials properly. Thus, we cannot assure you that any accident causing explosion, disruption of operation, injuries or death resulting from our negligence or mishandling of these hazardous materials will not happen at our production plant. In such event, we may be liable for the loss of life and property, personal injuries, medical expenses suffered by the victims in the accident and we may have to pay fines and penalties for violation of applicable PRC laws and regulations. Furthermore, our production plant may be required to halt operation pending investigations from the authorities, which would severely and adversely affect our business operation, reputation and financial performance.

We use certain machinery and equipment in our production processes such as compressing machine, and industrial mixing device, which are potentially dangerous and may cause industrial accidents if not used properly. Any severe accident caused by the use of such equipment or machinery could interrupt our operations and result in legal and regulatory liabilities. While we provide work-related injury insurance for our employees, insurance coverage related to accidents resulting from the use of such equipment or tools may be inadequate to offset losses arising from claims related to such accidents, which could materially and adversely affect our reputation, business, financial condition and results of operations.

The preferential tax treatment we currently enjoy is subject to review and approval by the PRC tax authority. If the preferential tax rate increases or if we no longer enjoy the preferential tax treatment in the future, our net profits and cash flow will be adversely affected

Our profit attributable to owners of the parent is affected by the level of income tax that we pay and the preferential tax treatment to which we are entitled. In recognition of our strong technology and production development capability, our key operating subsidiary, Guangzhou Botny, has been accredited as High-tech enterprise (高新技術企業) since 2008, which entitles us to a preferential PRC enterprise income tax rate of 15%, subject to the review and approval by the tax authorities every three years. The current accreditation was awarded to Guangzhou Botny in December 2017 with a validity period of three years and would expire in December 2020.

There is no assurance that the PRC policies on preferential tax treatments will not change or that the current preferential tax treatments we enjoy will not be cancelled. If such change or cancellation occurs, we may be subject to an enterprise income tax rate of 25%, and the resulting increase in our tax liability would have an adverse effect on our net profits and cash flow.

The general public and the PRC government are paying increasing attention to environmental protection which may increase our compliance costs and affect our growth plan

Our production involves the use of certain environmental hazardous materials (for instance, alcohol and liquefied petroleum gas) and the management and disposal of wastes and hazardous materials. In recent years, the general public are paying increasing attention to matters relating to the protection of the environment. The rising environmental consciousness may lead to our products as well as our operation being closely scrutinised by the general public as well as certain environmental and non-governmental organisations. We may be involved in environmental investigations for any negative reporting or publicity on our operation or our products, and the failure of passing such investigations could subject us to fines and other penalties, including the suspension or shut down of our operations. This will erode our reputation and consumer acceptance of our brands which may in turn materially and adversely affect our business, financial condition and results of operations. In addition, our business is susceptible to changes in consumers' preference on environmental friendly products. There is no assurance that we will be able to continue to develop or launch more environmental friendly products which are appealing to or popular amongst our customers.

Besides, we are subject to PRC environmental regulations which impact on us at an operational level including but not limited to the Environmental Protection Law of the PRC* (中華人民共和國環境保護法), Law of the PRC on Prevention and Control of Atmospheric Pollution* (中華人民共和國大氣污染防治法) and Law of the PRC on Prevention and Control of Water Pollution* (中華人民共和

國水污染防治法). According to the Guangdong Province Work Programme on the Comprehensive Treatment and Emission Reduction on Volatile Organic Compounds (2018-2020)* (廣東省揮發性有機物（VOCs）整治與減排工作方案 (2018-2020年)) published on 10 April 2018, government of the Guangdong Province encourages enterprises to use water-based, VOC-low environmentally friendly paint and coating products to replace those solvent-based paint or coating products used for vehicles maintenance and repair industry. As a result, the sales of solvent-based paint and coating products in Guangdong Province could be adversely affected due to the foregoing regulation. We cannot assure you that similar regulations will not be implemented in other PRC cities which could have a material impact on our sales plan of the solvent-based paint and coating products. For further details, please refer to the section headed "Regulatory overview — Laws and regulations on environmental protection" of this listing document.

Due to the growing awareness on environmental protection, the PRC government may implement more onerous laws and adopt more stringent practice as to the enforcement of environmental regulations in the future that will require us to undertake costly measure or obtain additional approvals. Please refer to the section headed "Risk factors — Risks relating to our business — Non-compliance with existing and future health, safety and environmental policies, laws, rules and regulations may lead to imposition of fines penalties and other liabilities and our compliance costs may increase if environmental protection laws become more onerous" in this listing document for more details.

Our insurance coverage may not be sufficient to cover all risks in relation to our business operations

As at the Latest Practicable Date, we maintained various insurance policies, covering our production facilities (including inventory and machinery and equipment), work safety liability insurance which covers work injuries at our production facilities, product liability insurance in relation to our automotive beauty and maintenance products and property insurance which covers our vehicles. However, there are certain types of losses, such as losses 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. Please refer to the section headed "Business — Insurance" in this listing document for further details of our insurance coverage. If we experience events for which we are not insured, we would incur the resulting financial losses, and such losses may be substantial, particularly if our products are found to cause widespread injury, illness or death. Moreover, our insurance policies may include financial limits with respect to the losses from events for which we are insured. If we experience uninsured losses or losses in excess of our insurance coverage, it could materially and adversely affect our business, financial condition and results of operations.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future may have a material adverse effect on our business, financial condition and results of operations

Potential outbreaks of infectious diseases such as the H1N1 influenza virus, severe acute respiratory syndrome (SARS), bird flu and Zika virus in the regions we operate could disrupt our manufacturing operations, reduce demand for our products and increase our costs. Natural disasters, such as floods or earthquakes, could severely disrupt our manufacturing operations and increase our costs.

Increased international political instability, evidenced by the threat or occurrence of terrorist attacks, enhanced national security measures, conflicts in the Middle East and Asia, strained international relations arising from these conflicts and the related decline in consumer confidence and economic weakness, may hinder our ability to do business. Any escalation in these events or similar future events may disrupt our operations and the operations of our customers and suppliers, and may affect the availability of materials needed for our manufacturing services. Such events may also disrupt the transportation of materials to our manufacturing facilities and finished products to our customers. These events have had, and may continue to have, an adverse impact on the world economy in general, and customer confidence and spending in particular, which in turn could adversely affect our total revenues and operating results. The impact of these events on the volatility of the world financial markets also could increase the volatility of the market price of our Shares and may limit the capital resources available to us, our customers and our suppliers.

The automotive beauty and maintenance products manufacturing industry in the PRC is significantly impacted by fluctuations in the domestic and global economy

The automotive beauty and maintenance products manufacturing industry in the PRC is significantly impacted by fluctuations in the domestic economy. Our operations are dependent on the conditions and overall activity levels of the automotive beauty and maintenance products manufacturing industry in the PRC. We also export our products to overseas markets. Changes in the domestic and global economy, such as GDP growth, inflation, interest rates, availability of and access to capital markets, consumer spending levels and government initiatives, could all affect our business and operations. Weak or volatile economic conditions may result in weakened consumer spending and hence decline in sales. It would also present a tougher and more competitive business environment for our suppliers, distributors and other business partners, which may then have an impact on their business dealings with us. Our sales volume and thus our revenue may be reduced as a result of weakened consumer spending in our target markets. Despite constant efforts of the relevant governments to implement measures to stabilise their financial systems, there is no assurance that such measures will revive growth in the domestic and global economy. Any slowdown in the domestic or global economy could adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE PRC

We may be adversely affected by changes in political, social and economic policies, as well as governmental policies, in the PRC

Substantially all of our assets and business operations are currently located in the PRC. During the Track Record Period, we derived 68.9%, 74.4% and 71.6% of our revenue from the sale of our products to customers in the PRC (based on the locations of the registered offices of our customers), respectively. Accordingly, our business, financial condition and results of operations are affected significantly by the economic, political and legal developments in the PRC.

The Chinese economy differs from the economies of most developed nations in many areas, including the degree of government involvement, the level of development, growth rate, foreign exchange control, access to financing and allocation of resources. As the PRC government continues to play an active role in the transition from a planned economy to a more market-driven economy, the PRC government continues to adopt reforms and policies, including ones which are unprecedented and experimental in nature. Changes in the PRC's political and social condition could therefore have a material effect on the economic condition of the country. Further, the Chinese economy has become increasingly linked with the global economy, and the PRC is affected in various respects by downturns and recessions in major economies around the world. Any adverse change in the PRC's economic, social and political conditions could have a material adverse effect on PRC's overall economic growth, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We may be deemed a PRC resident enterprise under the EIT law and be subject to PRC taxation on our worldwide income

We are a holding company incorporated under the laws of the Cayman Islands. Under the PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法) (the "**EIT Law**") which came into effect 1 January 2008, and its implementation rules, enterprises organised under the laws of jurisdictions outside the PRC with their "de facto management bodies" located within the PRC may be considered "PRC tax resident enterprises" and subject to a uniform 25% PRC income tax on their worldwide income. The implementation rules to the EIT Law define the term "de facto management body" as a "body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise". The Notice on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in accordance with Criteria for Determining Place of Effective Management* (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) issued in April 2009 and revised in December 2017, and the Administrative Measures on the Corporate Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial)* (境外註冊中資控股居民企業所得稅管理辦法(試行)) issued in July 2011 and revised in April 2015 and June 2018 set out certain criteria for specifying what constitutes a "de facto management body" in respect of enterprises that are established offshore by PRC enterprises. However, no such criteria are provided in these or other publications by the SAT in respect of enterprises established offshore by private individuals or foreign enterprises like us.

Therefore, it is unclear whether we will be deemed to be a "PRC tax resident enterprise" for the purpose of the EIT Law even though substantially all of our operations and management are currently based in the PRC. We are currently not treated as a PRC tax resident enterprise by the relevant tax authorities. Nonetheless, there is no assurance that we will not be treated as a PRC tax resident enterprise under the EIT Law and not be subject to the enterprise income tax rate of 25% on our global income in the future. If we are deemed to be a "PRC tax resident enterprise", we would be subject to PRC income taxes on our worldwide income, which may adversely affect our profitability and distributable profits to our shareholders.

Our products exported from our PRC production base to the United States may be subject to high tariff rates under the trade war between the United States and the PRC, which could adversely affect our sales volumes, profitability and results of operations

For the three years ended 31 December 2018, we derived revenue from the United States in the amount of approximately HK$26.2 million, HK$20.8 million and HK$59.2 million, representing approximately 5.0%, 4.0% and 9.7% of our revenue, respectively. As a result, our revenue generated from the United States is exposed to possible sales interruptions or cancellations or increase in costs in the event of any adverse actions taken by the United States with respect to continued trade or enactment of legislation that restricts trade. In September 2018, the Office of the United States Trade Representative (USTR) released a list of approximately US$200 billion worth of Chinese imports that would be subject to additional tariffs, including personal deodorants and antiperspirants. Under such tariff treatment, the cost for our CMS customers in procuring products from our Group will inevitably increase, making our products less price competitive than our competitors who are not subject to such tariff. To minimise the effect of the tax levied, our CMS customers may want to impose new terms and pass, in part or in whole, the additional costs onto our Group. If the trade restrictions intensify, the relevant customer may even shift to source their products outside the PRC instead from us.

Our Directors confirm that, although the trade war between the United States and the PRC did not have a material adverse impact on the selling prices of our products for the year ended 31 December 2018, our major customer in the United States (the "**U.S. Customer**"), which primarily purchased our personal care products during the Track Record Period, did not place any sales order with us during the period from January 2019 to March 2019. Our secured orders received from the U.S. Customer, which were or are expected to be recognised as revenue, after March 2019 and up to the Latest Practicable Date amounted to approximately HK$1.0 million, of which approximately HK$0.4 million had been recognised as revenue as at the Latest Practicable Date. For the three years ended 31 December 2018, our revenue generated from the U.S. Customer amounted to approximately HK$26.2 million, HK$20.8 million and HK$59.2 million, accounting for approximately 5.0%, 4.0% and 9.7% of our total revenue, respectively. As at the Latest Practicable Date, it was still uncertain whether the U.S. Customer would continue to place orders with us, and the parties intended to negotiate this further in due course. For details, please refer to the section headed "Business — Our customers — Our CMS customers" in this listing document.

There is no guarantee that the trade relations between the United States and the PRC will remain stable in the future and we cannot predict whether and how any potential change in their relationship will impact our ability to export our products from the PRC to the United States in the future. Any deterioration in their relationship could further increase the costs of our exported products to the United States, or limit our ability to export our products to the United States, which could have an adverse effect on our business, financial condition and results of operations.

As a holding company, we rely on the distribution of our PRC subsidiaries for funding

We are a holding company incorporated in the Cayman Islands and we operate our business principally through our subsidiaries in the PRC. Therefore, the availability of funds to us to pay dividends to our shareholders and to service our indebtedness depends upon dividends received from these subsidiaries.

PRC laws permit dividends to be paid by our PRC subsidiaries only out of their distributable profits determined in accordance with the PRC generally accepted accounting principles ("**PRC GAAP**"), which differ from the accounting principles and standards generally accepted in many other jurisdictions. The Chinese laws also require each of our PRC subsidiaries to maintain a general reserve fund of 10% of its after-tax profits based on PRC GAAP annually, but are not required to do so once the cumulative amount of the general reserve fund reaches 50% or more of the relevant subsidiary's registered capital. Any of our PRC subsidiaries that is a foreign invested enterprise may also be required to set aside individual funds for staff welfare, bonuses and development in accordance with Chinese laws. These reserve funds are not available for distribution as cash dividends.

Additionally, factors such as cash flows, restrictions in debt instruments, withholding tax and other arrangements may restrict our PRC subsidiaries' ability to pay dividends to us and in turn restrict our ability to pay dividends to our Shareholders. Distributions by our PRC subsidiaries to us in forms other than dividends may also be subject to government approvals and taxes. These restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our shareholders and to service any future indebtedness.

Dividends we pay to our investors are subject to PRC withholding taxes

We are incorporated under the laws of the Cayman Islands. According to the Circular of Ministry of Finance and the State Taxation Administration on Several Preferential Policies Relevant to Enterprise Income Tax, the undistributed profits earned by foreign investment enterprises prior to 1 January 2008 and distributed to foreign investors later shall be exempt from PRC withholding tax, whereas the profits earned and distributed after 1 January 2008 shall be subject to PRC withholding tax pursuant to the Enterprise Tax Law, which is currently set at 10%. A lower withholding tax rate of 5% may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investor. Due to the PRC withholding taxes, depending on the tax jurisdiction of the receiver, we may incur significant PRC tax liabilities when PRC profits are distributed to our ultimate shareholders.

We may be limited in our ability to expand our business or pursue certain funding transactions as a result of increased scrutiny by PRC tax authorities over the transfer of equity interests in PRC resident enterprises by a non-resident enterprise

On 3 February 2015, the PRC State Administration of Taxation issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises ("**Circular 7**"). This regulation repealed certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises ("**Circular 698**") and certain rules clarifying Circular 698. Circular 698 was issued by the PRC State Administration of Taxation on 10 December 2009. Circular 7 provides comprehensive guidelines relating to, and heightened the Chinese tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**"). For example, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the PRC tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, Circular 7 allows the PRC tax authorities to reclassify this indirect transfer of PRC Taxable Assets into a direct transfer and impose on the non-resident enterprise generally a 10% rate of PRC enterprise income tax. Circular 7 exempts this tax, for examples, (i) where a non-resident enterprise derives income from an indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company in the public market; and (ii) where a non-resident enterprise transfers PRC Taxable Assets that it directly holds and an applicable tax treaty or arrangement exempts this transfer from PRC enterprise income tax. It remains unclear whether any exemptions under Circular 7 will be applicable to any future mergers, acquisitions or other investments that we may make outside the PRC involving PRC Taxable Assets or to transfers of our Shares by our Shareholders. If the PRC tax authorities impose PRC enterprise income taxes on these activities, it would undermine our ability to expand our business or seek financing through these transactions which may adversely affect our business, financial condition and results of operations.

We may be limited in our ability to conduct foreign exchange transactions due to government control of foreign currency conversion

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditure from trade related transactions, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. However, foreign exchange transactions in the capital account, including the foreign currency capital in any foreign-invested enterprise in the PRC, the repayment of the principal amount of foreign currency loans and the payment pursuant to foreign currency guarantees, continue to be subject to significant foreign exchange controls and require prior approval from the SAFE or its local branch. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Substantially all of our revenue is denominated in Renminbi, which is currently not a freely convertible currency. We will have to convert a portion of our Renminbi revenue or profit to meet our needs for foreign currency, such as the payment of dividends by our Company, if any are declared.

While current PRC laws and regulations permit conversion of Renminbi into foreign currencies for payment of current account items (including payment of dividends to foreign shareholders), any future change in PRC law or government policy may restrict our Company's ability to pay dividends and other current account items in foreign currencies or restrict our Company's ability to make payments without obtaining prior approval from the SAFE. If restrictions imposed by the PRC government prevent us from obtaining sufficient foreign currency to satisfy our currency demands, our Company may not be able to pay dividends in foreign currencies to Shareholders. In addition, if we fail to obtain approval from SAFE to convert Renminbi into any foreign currency, our capital expenditure plans, and even our business, financial condition and results of operations may be adversely affected.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from making additional capital contributions or loans to our major PRC subsidiaries

As an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly-owned PRC subsidiaries to finance their activities may not exceed statutory limits and must be registered with the SAFE or its local counterpart. Any capital contributions to our PRC subsidiaries must be approved by the MOFCOM or its local counterpart. In addition, the use of any Renminbi obtained from the settlement of capital of a foreign-invested enterprise for purposes within the business scope shall be approved by the applicable government authority, and may not be changed without approval from the SAFE. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, in respect of future loans by us to our PRC subsidiaries or in respect of future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to capitalise or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We are subject to uncertainties in the PRC legal system

Our subsidiaries and operations are principally based in the PRC and are subject to the laws and regulations of the PRC. The PRC legal system is a civil law system based on written statutes. Unlike the common law legal system, prior court decisions in a civil law system have limited precedential value and are used only for reference. Furthermore, the PRC's statutes are subject to the interpretation by the legislative bodies, the judicial authorities and the enforcement bodies, which are not always uniform. Since 1978, the PRC has implemented laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commercial transactions, taxation and trade. Many of these laws and regulations are relatively new and subject to frequent changes and may not be consistently interpreted and implemented. There may also be new laws and regulations enacted to cover new economic activities in the PRC. We cannot predict the effect of future developments in the PRC legal system. These uncertainties in the PRC legal system may adversely affect our business and limit the legal protection available to us and our shareholders.

RISK RELATING TO THE INTERNATIONAL SANCTIONS

We have previously made sales to customers in Countries subject to International Sanctions administered by U.S., and we could be adversely affected if these sales result in penalties on our Group.

The U.S. and other jurisdictions or organisations, including the European Union, the United Nations and Australia, 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.

During the Track Record Period, we made direct sales of our aerosol and non-aerosol products to certain customers located in Countries subject to International Sanctions, including Afghanistan, Lebanon, Russia, Iran, Iraq, Yemen and Haiti. We also had a transaction with a Sudanese customer in April 2014. Iran is subject to OFAC's comprehensive sanctions program under the Iranian Transactions and Sanctions Regulations. Sudan was also subject to comprehensive sanctions until 12 October 2017. During the Track Record Period, our revenue derived from sales to these customers amounted to approximately HK$5.2 million, HK$4.9 million, and HK$2.1 million, representing approximately 1.0%, 0.9% and 0.3% of our total revenue for the three years ended 31 December 2018, respectively. Among the sales to these customers, twelve (12) payments in an aggregate amount of approximately US$349,194 received indirectly from two Iranian customers and two (2) payments in an aggregate amount of approximately US$36,877 received from a Sudanese customer between 2013 and 2018 with respect to our goods sold and delivered to Iran and Sudan were denominated in U.S. dollars and processed through the U.S. financial system before they were received by our Group.

These transactions appear to be potential violations of U.S. sanctions regulations that are applicable to transactions with Iran and Sudan. For further details and our potential risk exposure, please refer to the section headed "Business — Business activities in Countries subject to International Sanctions" in this listing document.

We have undertaken not to enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of sanctions laws by the U.S., the European Union, the United Nations or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group enter into relating to Countries subject to International Sanctions or with Sanctioned Persons would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in Countries subject to International Sanctions and with Sanctioned Persons and our business intention relating to Countries subject to International Sanctions and with Sanctioned Persons. If we were in breach of such undertakings to the Stock Exchange, we would be subject to the risk of possible delisting of our Shares on the Stock Exchange.

While we have implemented internal control measures to minimise our risk exposure to International Sanctions, sanctions laws and regulations are constantly evolving, and new persons and entities are 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. Our business and reputation could be adversely affected if the authorities of U.S., the European Union, the United Nations, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Group. For details of our business operations in the Countries subject to International Sanctions and our undertakings to the Stock Exchange and its related group companies, please refer to the section headed "Business — Business activities in Countries subject to International Sanctions" in this listing document.

RISKS RELATING TO THE SPIN-OFF AND OUR SHARES

Shareholders' interest may be diluted as a result of additional equity fund raising

We may issue additional Shares to raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (a) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (b) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of our existing Shareholders.

There is no existing public market for our Shares and their liquidity and market price may fluctuate

Prior to the Listing, there was no public market for, and no established price for, our Shares. Our Company has made an application for the listing of, and permission to deal in, our Shares on the Stock Exchange. The Listing, however, does not guarantee that an active and liquid trading market for our

Shares will develop or, if it does develop, that it will be sustained following the Listing or that the market price of our Shares will not fluctuate following completion of the Listing. The price and trading volume of our Shares may be volatile. Factors such as the following may affect the volume and price at which our Shares will trade:

- actual or anticipated fluctuations in our results of operations;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general economic, market or regulatory conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies and other industries; and
- other events or factors beyond our Group's control.

We may not declare dividends on our Shares in the future

Whether we pay a dividend and the amount of such dividend will depend on our results of operations, cash flows, financial condition, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions and other factors that our Directors deem relevant. As a Cayman Islands company, any dividend recommendation will be at the absolute discretion of our Directors. There is no assurance that dividends of any amount will be declared or distributed in any year.

Our Group cannot guarantee the accuracy of certain facts and other statistics contained in this listing document

Certain facts and other statistics in this listing document relating to the automotive beauty and maintenance product manufacturing industry in the PRC and the PRC economy are derived from various government publications and organisations that we believe to be reliable, as well as from a report prepared by CIC. While we believe that such facts and statistics are appropriate sources for such information, and our Directors have taken reasonable care in the reproduction of the information and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading, they have not been prepared or independently verified by our Group, the Sole Sponsor or any of our Group's or their respective affiliates or advisers. Therefore, Our Group makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information complied within or outside the PRC or available from other sources. Such facts and other statistics include the facts and statistics contained in this section, the sections headed "Summary", "Industry overview" and "Business" in this listing document. Due to possibly flawed or ineffective sampling or discrepancies between published information and market practices or other reasons, such facts and statistics may be inaccurate or may not be comparable to official statistics and you should not place undue reliance on them. Accordingly, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

You may not have the same protection of your shareholder rights under Cayman Islands law compared to what you would have under Hong Kong law

Our Company's corporate affairs are governed by our Memorandum of Association and Articles of Association, the Companies Law, and the common law of the Cayman Islands. The rights of our Shareholders to take action against our Directors, the rights of minority shareholders to instigate actions and the fiduciary responsibilities of our Directors to our Company under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be the same as they would be under statutes or judicial precedent in Hong Kong. In particular, the Cayman Islands may have different securities laws as compared to Hong Kong and may not provide the same protection to investors. Furthermore, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in a Hong Kong court.

You may not be able to participate in rights offerings or to elect to receive stock dividends and may experience dilution of your shareholdings

We may, from time to time, distribute rights to our Shareholders, including rights to acquire securities, including our Shares. We will not distribute rights to holders of our Shares in the United States unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or are registered under the U.S. Securities Act. There can be no assurance that we will be able to establish an exemption from the registration requirements under the U.S. Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavour to have a registration statement declared effective under the U.S. Securities Act. Accordingly, holders of our Shares in the United States may be unable to participate in rights offerings and may experience dilution of their shareholdings in us as a result. In addition, if we are unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, we will allow the rights to lapse, in which case holders of our Shares will receive no value for these rights. We may, from time to time, offer a stock dividend election to all holders of our Shares, subject to applicable securities laws, in respect of future dividends. We will not, however, permit holders of our Shares to exercise such election unless the issuance of our Shares pursuant to such election is either exempt from registration under the U.S. Securities Act or registered under the U.S. Securities Act. There can be no assurance that we will be able to establish an exemption from the registration requirements under the U.S. Securities Act, and we are under no obligation to file a registration statement with respect to Shares issuable pursuant to these elections or to endeavour to have a registration statement declared effective under the U.S. Securities Act. In addition, we may choose not to offer such election to certain holders of our Shares, and may instead offer those holders of the Offer Shares dividends in the form of cash only. Accordingly, holders of Shares in the United States may be unable to elect to receive dividends in the form of our Shares rather than cash and may experience dilution of their shareholdings in us as a result.

You should read the entire listing document carefully and should not consider any particular statements or any information contained in press articles, media and/or research reports regarding us, our business and/or our industry without carefully considering the risks and other information contained in this listing document

There may be coverage in the press, media and/or research analyst coverage regarding our Group, our business, our industry and the Spin-off. There had been, prior to the publication of this listing document, and there may be, subsequent to the date of this listing document but prior to the completion of the Spin-off, press, media and/or research analyst coverage regarding our Group, our business, our industry and the Spin-off containing, among other matters, certain financial information, projections, valuations and other forward-looking information about us and the Spin-off. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any of the information in the media or publications other than this listing document is inconsistent or conflicts with the information contained in this listing document, we disclaim it. Accordingly, you should read the entire listing document carefully and should not rely on any of the information in press articles or other media coverage. You should only rely on the information contained in this listing document to make investment decisions about us.

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

This listing document contains certain statements that are “forward-looking” and indicated by the use of forward-looking terminology such as “aim”, “anticipate”, “believe”, “consider”, “could”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “potential”, “project”, “seek”, “shall”, “should”, “will” or “would” or similar expressions. You are cautioned that reliance on any forward-looking statement involves risk and uncertainties, 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 risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the enclosure of forward-looking statements in this listing document should not be regarded as representations by our Group that the plans and objectives will be achieved, and you should not place undue reliance on such statements.