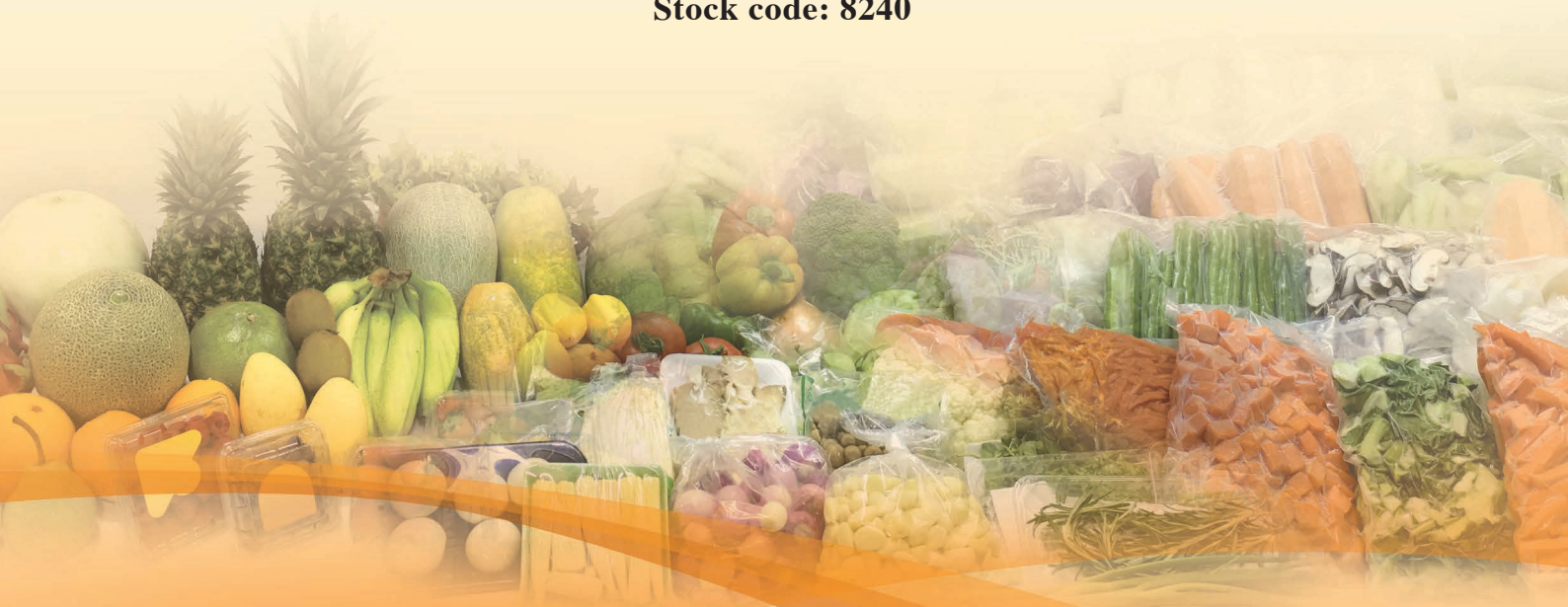


GOAL FORWARD HOLDINGS LIMITED 展程控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8240



BY WAY OF PLACING

Sole Sponsor, Sole Bookrunner and Lead Manager

FRONTPAGE 富比

Co-Lead Managers



IMPORTANT

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

GOAL FORWARD HOLDINGS LIMITED 展程控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares : 320,000,000 Shares
Placing Price : Not more than HK\$0.25 per Placing Share and not less than HK\$0.225 per Placing Share (payable in full on application in Hong Kong dollars and subject to refund) plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005%
Nominal Value : HK\$0.01 per Share
Stock Code : 8240

Sole Sponsor, Sole Bookrunner and Lead Manager

FRONTPAGE 富比

Frontpage Capital Limited

Co-Lead Managers



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

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

Prior to making investment decision, prospective investors should consider carefully all of the information set out in this prospectus, more particularly refer to the risk factors set out in the section headed "Risk Factors" in this prospectus.

The Placing Price is currently expected to be fixed by agreement among the Lead Manager (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 4 October 2016. The Placing Price will be not more than HK\$0.25 and is currently expected to be not less than HK\$0.225 unless otherwise announced. If our Company and the Lead Manager (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price on the Price Determination Date (or such later date as may be agreed between our Company and the Lead Manager (for itself and on behalf of the Underwriters)), the Placing will not become unconditional and will lapse immediately. In such case, an announcement will be made immediately by our Company on the HKEx website at www.hkxnews.hk and our Company's website at www.cyfood.com.hk.

Prospective investors of the Placing Shares should note that the Lead Manager (for itself and on behalf of the Underwriters) is entitled to terminate the Underwriting Agreement by giving a notice in writing to our Company if certain circumstances arise prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such circumstances are set out in the section headed "Underwriting – Underwriting arrangements and expenses – Grounds for termination" in this prospectus. It is important that you carefully read that section for further details.

30 September 2016

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

EXPECTED TIMETABLE

2016
(note 1)

Price Determination Date ^(note 2)	Tuesday, 4 October
Announcement of the determination of the Placing Price and the level of indication of interest in the Placing to be published (a) on the HKEx website at <i>www.hkexnews.hk</i> ; and (b) on our Company's website at <i>www.cyfood.com.hk</i> ^(note 3) on or before	Wednesday, 12 October
Allotment of the Placing Shares to placees (or their designated person(s)) on or about	Wednesday, 12 October
Deposit of share certificates for the Placing Shares into CCASS on or about ^(note 4)	Wednesday, 12 October
Dealings in the Shares on GEM to commence at 9:00 a.m. on ^(notes 4 and 5)	Thursday, 13 October

Notes:

1. All times and dates refer to Hong Kong local times and dates. If there is any change of the above expected timetable, a separate announcement will be made by our Company on the HKEx website at *www.hkexnews.hk* and on our Company's website at *www.cyfood.com.hk*.
2. The Price Determination Date is scheduled on Tuesday, 4 October 2016 (or such later date as may be agreed between our Company and the Lead Manager (for itself and on behalf of the Underwriters). If our Company and the Lead Manager (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price on the Price Determination Date (or such later date as may be agreed between our Company and the Lead Manager (for itself and on behalf of the Underwriters)), the Placing will not become unconditional and will lapse immediately.
3. None of our Company's website or any of the information contained in the website forms part of this prospectus.
4. The share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or about Wednesday, 12 October 2016 for credit to the relevant CCASS Participants' or the CCASS Investor Participants' stock accounts designated by the Lead Manager, the Co-Lead Managers, the Underwriters, the placees or their respective agents (as the case may be). No temporary documents or evidence of title will be issued.
5. Share certificates for the Placing Shares will only become valid certificates of title provided that (a) the Placing has become unconditional in all respects; and (b) the Underwriting Agreement has not been terminated in accordance with its terms prior to 8:00 a.m. on the Listing Date. If the Placing does not become unconditional or the Underwriting Agreement is terminated in accordance with its terms, our Company will make an announcement as soon as possible. No dealings in the Placing Shares should take place prior to the Listing Date. Investors who trade the Shares prior to such date shall do so entirely at their own risk.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus pursuant to the Placing. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Co-Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Co-Lead Managers, the Underwriters, and any of our/their respective directors, officers, employees, agents or representatives or any other party involved in the Placing. The contents on the website at www.cyfood.com.hk which is the official website of our Company do not form part of this prospectus.

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SUMMARY

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

OVERVIEW

We are a food ingredients supplier with a focus on the provision of vegetables and fruits to food service operators in Hong Kong and our factory is located in Shatin, New Territories. Founded in 2005, we have over 10 years of experience in conducting business of food processing and supply of vegetables, fruits and other food ingredients. Our customers approach us for processed food ingredients as it allows our customers to prepare dishes with reduced kitchen staff, thus saving them manpower and time needed in food preparation. We also provide fruits procurement, screening and sorting services. In addition, we also source groceries and specialty food ingredients for our customers upon their requests. We place strong emphasis on quality control, and have implemented stringent quality control procedures which are carried out by our Quality Control Department throughout our processing stage and on all processing lines. During the Track Record Period, we supply food ingredients to over 700 customer outlets and we offer more than 1,300 types of food ingredients to our customers.

The table below sets forth our sales by customer types for the Track Record Period:

	Year ended 31 March 2015		Year ended 31 March 2016	
	HK\$'000	%	HK\$'000	%
Restaurants	118,467	77.8	129,748	78.1
Schools	10,860	7.1	11,554	7.0
Bakery and coffee shops	5,879	3.8	6,731	4.0
Hospitals	1,790	1.2	1,510	0.9
Hotels	1,326	0.9	1,509	0.9
Other catering service providers (note)	13,964	9.2	15,178	9.1
Total	<u>152,286</u>	<u>100.0</u>	<u>166,230</u>	<u>100.0</u>

Note: Other catering service providers mainly include food factories of the food service operators.

SUMMARY

The table below sets out our revenue and sales volume by product category for the Track Record Period:

Product type	Year ended 31 March 2015				Year ended 31 March 2016			
	Revenue HK\$'000	Percentage of total sales %	Sales volume tonne	Average selling price HK\$ per kg	Revenue HK\$'000	Percentage of total sales %	Sales volume tonne	Average selling price HK\$ per kg
Vegetables	126,843	83.3	9,593	13.2	139,610	84.0	9,832	14.2
Fruits	19,509	12.8	1,056	18.5	20,315	12.2	1,009	20.1
Other food ingredients (note)	5,934	3.9	N/A	N/A	6,305	3.8	N/A	N/A
Total	152,286	100.0			166,230	100.0		

Note: Other food ingredients comprise eggs, flour products, dried foods and other groceries.

FOOD PROCESSING

We provide our customers with extensive processing services to customise food ingredients in accordance with their technical specifications. As at the Latest Practicable Date, we have 25 staff responsible for food processing procedures. The specifications given by our customers vary in different food ingredients. Please refer to the section headed “Business – Processing” in this Prospectus for further details.

OUR CUSTOMERS

The revenue of our Group for the two years ended 31 March 2015 and 2016 amounted to approximately HK\$152,286,000 and HK\$166,230,000, respectively and our Group offered food ingredients to approximately 708 and 724 customer outlets, respectively. The five largest customers of our Group in aggregate accounted for approximately 38.7% and 40.0% of our total revenue, respectively and our largest customer accounted for approximately 12.5% and 12.5% of our total revenue, respectively.

PROCUREMENT OF FOOD INGREDIENTS

For the years ended 31 March 2015 and 2016, we procured from 77 and 90 suppliers, respectively.

The table below sets out the background information of the top five suppliers and their respective percentages of purchases of our Group during the Track Record Period:

For the year ended 31 March 2015

Rank	Name of supplier	Principal business	Location	Percentage of our Group's total purchase %
1	Supplier A	Wholesaler of vegetables	Shenzhen City, Guangdong Province, the PRC	54.4
2	Supplier B	Wholesaler of vegetables and fruits	Hong Kong	7.1
3	Supplier C	Wholesaler of vegetables and fruits	Hong Kong	4.9
4	Supplier D	Wholesaler of fruits	Hong Kong	4.1

SUMMARY

Rank	Name of supplier	Principal business	Location	Percentage of our Group's total purchase %
5	Supplier E	Wholesaler of lemons and eggs	Hong Kong	4.0
				74.5

For the year ended 31 March 2016

Rank	Name of supplier	Principal business	Location	Percentage of our Group's total purchase %
1	Supplier A	Wholesaler of vegetables	Shenzhen City, Guangdong Province, the PRC	56.6
2	Supplier B	Wholesaler of vegetables and fruits	Hong Kong	7.1
3	Supplier C	Wholesaler of vegetables and fruits	Hong Kong	3.6
4	Supplier F	Wholesaler of bean products	Hong Kong	3.5
5	Supplier E	Wholesaler of lemons and eggs	Hong Kong	3.2
				74.0

PROCESSING CAPACITY AND UTILISATION RATE

The aggregate processing capacity and the utilisation rate of our processing factory during the Track Record Period are set out below:

	For the year ended 31 March 2015			For the year ended 31 March 2016		
	Estimated annual processing capacity (tonne)	Processing Volume (tonne)	Utilisation rate	Estimated annual processing capacity (tonne)	Processing volume (tonne)	Utilisation rate
Vegetables						
- Leafy vegetables	3,810	3,547	93.1%	3,821	3,616	94.6%
- Melon and fruit type vegetables	2,496	2,144	85.9%	2,503	2,188	87.4%
- Root and rhizome type vegetables	2,628	2,508	95.4%	2,635	2,528	95.9%
- Herbs, spices, mushrooms and others	1,577	1,393	88.3%	1,581	1,500	94.9%

COMPETITIVE STRENGTHS

We believe that the following competitive strengths allow us to achieve sustainable growth of our business:

- We offer a wide variety of food ingredients to our customers
- We have a well established network of suppliers

SUMMARY

- We have established and maintained a solid customer base
- We have strong and experienced management personnel

BUSINESS STRATEGIES

- Increase transportation capacity by expanding our vehicle fleet
- Increase marketing efforts and enhance sales channels
- Expand processing capacity and upgrade processing facilities
- Strengthen staff recruitment and training

RECENT DEVELOPMENTS

On 1 June 2016, we entered into a legally binding distribution agreement with Aqua Green, for the supply of hydroponically grown vegetables and we are able to provide hydroponically grown vegetables from June 2016 onward. Hydroponically grown vegetables are pesticide free agricultural produce. Having considered the current market price and demand of hydroponically grown vegetables, the Directors are of the view that the supply hydroponically grown vegetables are subject to higher margin than typical processed vegetables and fruits, and the cooperation with Aqua Green would have a positive effect on the Group's gross margin. Set out below are the material terms of the distribution agreement for the hydroponically grown vegetables:

Duration of agreement:

- three years;
- renew upon expired unless any disagreement raised by either or both parties;

Distribution price

- we have the right to negotiate with our clients;

Exclusive distribution right

- we are the exclusive distributor for the hydroponically grown vegetables;

Quantity

- no specific requirement;

Quality

- in accordance with the relevant regulatory standards;
- we have the right to request refund for any defective or substandard hydroponically grown vegetables.

Credit period

- 60 days

In addition, on 9 September 2016, we entered into a non legally-binding memorandum of understanding with Aqua Green in relation to provision of processing and logistical arrangement to the customers identified by the supplier in Hong Kong. Set out below are the material terms of the memorandum of understanding:

Principles of Cooperation

- Aqua Green intends to supply hydroponically grown vegetables to our Group, who will in turn process and deliver the produce to the customers identified by Aqua Green in Hong Kong from time to time;

SUMMARY

- the parties will enter into a specific legally binding agreement (the “Supply Agreement”) pursuant to the memorandum of understanding as soon as practicable and in any event by no later than April 2017, or such later date as the parties may otherwise agree and detailed terms and conditions of the aforesaid arrangements are to be set out in the Supply Agreement to be entered into;

Quantity

- approximately 36,000 kg of hydroponically grown vegetables per month to the extent feasible to our Group, who will in turn process and deliver the produce to the customers identified by Aqua Green in Hong Kong in such manner to be stipulated in the Supply Agreement;

Pricing

- prices will be determined on a basis through mutual negotiations between the parties with reference to prevailing market price and subject to the terms and conditions of the Supply Agreement;

Other detailed terms of transactions

- subject to the terms and conditions of the Supply Agreement.

As at the Latest Practicable Date, we have received non-legally binding written confirmations from 1957 Group, an Asian restaurant group and Dragon King Holdings Limited, a Chinese restaurant group, in relation to expand our existing supply scope of processed vegetables and fruits to more of their existing or new outlets. For instance, Dragon King Holdings Limited intends to purchase approximately HK\$128,000 worth of processed vegetables and fruits per month from our Group for each of the 7 restaurants it operates in Hong Kong. We are also under the negotiations with several existing customers and potential new customers, including chain restaurant groups, dining groups and catering groups, expressing intentions for inviting us to expand our existing supply scope or supply processed vegetables and fruit. In addition, we are negotiating with a Japanese food ingredients supplier in relation to process their vegetables and fruits from Japan to customers such as local supermarket chains.

Although we are under negotiations with several potential customers, our Group has not entered into any formal or legally binding agreements with most of our potential customers, including Dragon King Group and 1957 Group, in relation to the new business opportunities due to the limitation on existing processing capacity. There is no assurance that we will be able to successfully secure these new business opportunities upon the completion of our new processing base. Any failure in securing sufficient new orders could have adverse effect on our business, financial condition and results of operations.

Our Directors observed and noted that the market in which our Group operates remained stable after 31 March 2016 as reflected by the confirmed stable operation of our Group during the period from 1 April 2016 to the Latest Practicable Date. According to our unaudited management accounts for the four months ended 31 July 2016, our sales have shown an increase of 7.5% when compared to the relevant period in 2015. Our Directors have confirmed that, subsequent to 31 March 2016 and up to the Latest Practicable Date, there had been no material adverse change in our pricing strategies or mark-up under our cost-plus business model.

SUMMARY

PURCHASES OF VEGETABLES AND FRUITS BY FOOD SERVICE OPERATORS IN HONG KONG

The vegetables and fruits supply services industry is especially fragmented in Hong Kong, with an estimated more than 530 companies involved in the vegetables and fruits supply services industry in 2015. More than 90% of these suppliers are small companies operating with fewer than 10 employees. According to trade sources, given the highly fragmented nature of the industry, it is estimated that the top five companies in the vegetables and fruits supply services industry would hold a combined 10% to 15% value share of the market. Based on Euromonitor's market estimate, our Group occupied an estimated 5% of the market in terms of revenue in 2015.

According to the Euromonitor Report, growth in the purchases of vegetables and fruits by food service operators in Hong Kong is expected to slow to a CAGR of 3% in value terms over the forecast period. This is due to the persistent slowdown in global economic growth and the resulting repercussions in Hong Kong's highly interconnected economy, with GDP growth dipping below 1% in the first quarter of 2016. Please refer to the section headed "Industry Overview" in this Prospectus for the further details on the vegetables and fruits supply services industry in Hong Kong.

For the details of our risk relating to the changes in general economic conditions, please refer to the section headed "Risk Factors – Risks relating to our industry – our group is susceptible to changes in general economic conditions" in this prospectus.

LISTING EXPENSES

Our Group's financial performance for the year ending 31 March 2017 will be affected by the non-recurring expenses incurred in relation to the Listing. The listing expenses to be borne by our Group are estimated to be approximately HK\$20,661,000 (assuming a Placing Price of HK\$0.2375, being the midpoint of the indicative Placing Price range of HK\$0.225 to HK\$0.25 per Placing Share), of which (i) approximately HK\$6,681,000 is directly attributable to the issue of Placing Shares which is to be accounted for as a deduction from equity; (ii) approximately HK\$2,481,000 has been charged to profit or loss of our Group for the year ended 31 March 2016; and approximately HK\$11,499,000 is expected to be charged to profit or loss of our Group for the year ending 31 March 2017. Such cost is a current estimate and for reference only. The final amount to be recognised to the profit or loss of our Group or to be capitalised is subject to adjustment based on audit and the changes in variables and assumptions.

MATERIAL ADVERSE CHANGE

The impact of the listing expenses on the profit or loss accounts has posted a material adverse change in the financial or trading position or prospect of our Group since 31 March 2016 (being the date of the latest audited combined financial statements were made up). Our Directors consider that our Group's financial performance for the year ending 31 March 2017 would be significantly adversely affected by the recognition of listing expenses. In addition, our Group intends to acquire additional premises and equipment for establishment of a new processing base in early 2017. Accordingly, there will be an expected increase in depreciation expenses and other operational expenses for the year ending 31 March 2017. The final amount of these expenses to be recognised to the profit or loss of our Group is subject to adjustment based on audit and the changes in variables and assumptions. As a result of these expenses, our Group's net profit for the year ending 31 March 2017 may decline as compared with the prior financial year. Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the year ending 31 March 2017.

Save as disclosed above, our Directors have confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospect of our Company or its subsidiaries since 31 March 2016 (being the date of

SUMMARY

which our Group's latest audited combined financial statements were made up as set out in the Accountant's Report in Appendix I to this prospectus) and there had been no event since 31 March 2016 which would materially affect the information shown in the Accountant's Report in Appendix I to this prospectus.

RISK FACTORS

There are risks associated with any investment. Some of the relatively material risks relating to our Group include:

- Our business and reputation may be affected by product tampering, food safety issues, food-borne illnesses, health threats, product liability claims, litigation, complains, and adverse publicity
- We rely on independent suppliers for our packaging materials and any safety issues with these packaging materials could adversely affect our reputation, business operations and financial performance
- Increases in the cost of food ingredients may materially affect our business operations
- The products we sell are perishable and fragile
- Our Group has a history of net current liabilities during the Track Record Period

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" in this prospectus, and investors should read the entire section before deciding to invest in the Placing Shares.

NON-COMPLIANCE

During the Track Record Period and as at the Latest Practicable Date, we had no material non-compliance of applicable laws and regulations in Hong Kong that would affect our Group's operation and financial position.

SELECTED COMBINED STATEMENTS OF COMPREHENSIVE INCOME AND COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

	Year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	152,286	166,230
Gross profit	20,404	25,765
Profit and total comprehensive income for the year attributable to owner of our Company	8,753	11,073
	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	48,939	54,787
Current liabilities	56,496	50,444
Total assets	67,371	72,687
Total liabilities	57,151	51,294
Net current (liabilities)/assets	(7,557)	4,343
Net assets	10,220	21,393

We recorded a net current liabilities position as at 31 March 2015, primarily due to the large amount of capital expenditure invested in the setting up of our existing processing base in Shatin as reported under our non-current assets was funded by bank borrowings with a

SUMMARY

repayment on demand clause which were reported under our current liabilities. As at 31 March 2016, our Group reported a net current assets position and such improvement was mainly attributable to the earnings generated from our business operation.

SELECTED COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities before working capital changes	<u>12,455</u>	<u>15,591</u>
Net cash generated from operating activities	11,002	3,486
Net cash used in investing activities	(7,673)	(8,146)
Net cash generated from/(used in) financing activities	<u>8,055</u>	<u>(2,915)</u>
Net increase/(decrease) in cash and cash equivalents	11,384	(7,575)
Cash and cash equivalents at beginning of the year	<u>5,670</u>	<u>17,054</u>
Cash and cash equivalents at end of the year	<u><u>17,054</u></u>	<u><u>9,479</u></u>

The decrease in cash flow from operating activities for the year ended 31 March 2016, as compared to that in the prior year, was mainly attributable to (i) the portion of listing expenses charged to profit or loss of our Group for the year ended 31 March 2016 of approximately HK\$2,481,000; and (ii) the increase in trade receivables due to the strong fourth quarter sales for the year ended 31 March 2016 and decrease in trade payables due to an early installment payment made in relation to purchases from our largest supplier in March 2016. Please refer to the section headed “Financial Information” in this prospectus for details.

SUMMARY OF FINANCIAL RATIOS

	Year ended or as at	
	31 March	
	2015	2016
Profitability ratios		
Return on assets	13.0%	15.2%
Return on equity	85.6%	51.8%
Liquidity ratios		
Current ratio	0.9	1.1
Quick ratio	0.9	1.1
Capital adequacy ratios		
Gearing ratio (<i>note</i>)	205.2%	89.0%
Interest coverage	28.0	24.4

Note:

Gearing ratio is calculated based on the total debt at the end of the period divided by total equity at the end of the respective period. Total debt represents bank and other borrowings, and amounts due to related parties not incurred in the ordinary course of business.

SUMMARY

DIVIDEND AND DISTRIBUTION RESERVES

Our Company does not have any predetermined dividend payout ratio. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. Investors should note that historical dividend distributions are not indicative of our Company's future dividend distribution policy. On 12 May 2016, C.Y. Food declared a dividend in the sum of HK\$17,000,000 to Mr. Liu, the only existing shareholder at that time. The dividend will be settled by way of offsetting the amount due from Mr. Liu of approximately HK\$15,965,000, and with the remaining balance of approximately HK\$1,035,000 to be settled by cash before Listing.

SHAREHOLDER INFORMATION

Immediately following the completion of the Placing, Mr. Liu and Classic Line, which is beneficially and wholly-owned by Mr. Liu, will hold 720,000,000 Shares (representing 56.25% of the enlarged issued share capital of our Company) and they are our Controlling Shareholders.

REASONS FOR THE PLACING

Despite the considerable expenses for the Listing, our Directors decide to proceed with this form of equity financing for the purpose of our business expansion instead of the debt financing because our Directors are in the views that to maintain low level of borrowings would benefit to our Group and Shareholders as a whole. Given that the uncertain interest rate movement going forward (which may expose to increasing borrowing costs in the future via debt financing), our Directors believe that our Group's financial performance and liquidity may be negatively affected due to the principal and interest payments, if we proceed with debt financing to fund our business expansion.

According to Euromonitor Report, the overall vegetables and fruits supply services industry is comparatively fragmented in Hong Kong with more than five hundreds of vegetables and fruits supply service providers. Our Directors believe that the Listing will allow us to stand out from other suppliers, and can further enhance the profile and recognition of our Group and products and hence further strengthen our existing and potential suppliers' and customers' confidence in us, enable us to attract and retain quality personnel in this competitive market, and enhance our internal corporate governance. In addition, the Listing and the Placing could enhance our capital base and provide our Company with additional avenues to raise capital to strengthen our financial position and enable us to implement our business objectives set out in this section. Furthermore, a public listing status on GEM will allow us to access to capital market for future corporate finance exercises, which will assist in our future business development and strengthen our competitiveness.

PLACING STATISTICS

Market capitalisation at Listing (<i>note 1</i>)	:	HK\$288 million to HK\$320 million
Offer size	:	25.0% of the enlarged issued share capital of our Company
Placing Price per Placing Share	:	HK\$0.225 to HK\$0.25
Number of Placing Shares	:	320,000,000 Shares

SUMMARY

Board lot	:	10,000 Shares
Unaudited pro forma net tangible assets per Share (<i>note 2</i>)	:	HK\$0.059 based on a Placing Price of HK\$0.225 per Placing Share; and HK\$0.065 based on a Placing Price of HK\$0.25 per Placing Share

Notes:

1. The calculation of the market capitalisation of the Shares is based on 1,280,000,000 Shares in issue immediately after completion of the Placing.
2. The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments referred to under the paragraph headed “Unaudited pro forma adjusted combined net tangible assets” in the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus and on the basis of 1,280,000,000 Shares in issue at the respective Placing Prices of HK\$0.225 and HK\$0.25 per Share immediately following completion of the Placing.
3. The unaudited pro forma adjusted net tangible assets of our Group does not take into account the dividend of approximately HK\$17,000,000 declared by the Group in May 2016. The unaudited pro forma net tangible assets per Share would have been HK\$0.046 and HK\$0.052 per Share based on the Placing Price of HK\$0.225 and HK\$0.25 respectively, after taking into account the declaration of dividend in the sum of approximately HK\$17,000,000.

USE OF PROCEEDS

Based on the Placing Price of HK\$0.2375 per Placing Share, being the mid-point of the indicative Placing Price range of HK\$0.225 to HK\$0.25 per Placing Share, we will receive gross proceeds of HK\$76,000,000. All expenses (including underwriting fees) in connection with the Listing to our Group are estimated to be approximately HK\$20,661,000. Consequently, we should receive net proceeds, after deducting all related expenses (including underwriting fees), of approximately HK\$55,339,000 from the Placing. Our Directors intend to apply such net proceeds as follows:

	Total <i>(HK\$'000)</i>	Approximate percentage <i>(%)</i>
Acquisition of new processing base, facilities and equipment	27,449	49.6
Further strengthening our manpower	10,486	18.9
Expansion of logistic team	11,270	20.4
Enhancement of sales channels	600	1.1
General working capital	5,534	10.0
	<u>55,339</u>	<u>100.0</u>

Please refer to the section headed “Business Objectives and Future Plans” in this prospectus for details.

DEFINITIONS

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

“Accountant’s Report”	the accountant’s report of our Group for the Track Record Period the text of which is set out in Appendix I to this prospectus
“Across Well”	Across Well Limited (盛越有限公司), a company incorporated in Hong Kong on 2 December 2006 with limited liability and is owned as to 50% and 50% by Mr. Liu and Mr. Chan Kam Cheong, an Independent Third Party, respectively
“Aqua Green”	Aqua Green Limited, a supplier of hydroponically grown vegetables in Hong Kong, an Independent Third Party
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 26 September 2016 and which will become effective upon the Listing, as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Audit Committee”	the audit committee of our Board
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 959,990,000 Shares to be made upon capitalisation of part of the amount standing in the credit of the share premium account of our Company referred to in the section headed “Written resolutions of our Shareholders passed on 26 September 2016” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person or persons admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China Land”	China Land Restaurant Limited (湘川滬大飯店有限公司), a company incorporated in Hong Kong on 13 August 2003 with limited liability and is owned as to 30% and 70% by Mr. Liu and an Independent Third Party, respectively
“Classic Line”	Classic Line Holdings Limited, a company incorporated in the BVI with limited liability on 8 January 2016 and wholly-owned by Mr. Liu
“Co-Lead Managers”	China Industrial Securities International Capital Limited, a licensed corporation for carrying on type 1 (dealing in securities) regulated activities under the SFO, Quam Securities Company Limited, a licensed corporation permitted for carrying out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO and FP Sino-Rich Securities & Futures Limited, a licensed corporation for carrying on type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 5 (advising on future contracts) and type 9 (asset management) regulated activities under the SFO, being the Co-Lead Managers of the Placing and Independent Third Parties
“Companies Law”	the Companies Law of the Cayman Islands, as amended, (as revised) supplemented and/or modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Goal Forward Holdings Limited (展程控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 6 April 2016
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company, means the controlling shareholders of our Company, namely Classic Line and Mr. Liu
“Core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules
“C.Y. Food”	C.Y. Food Trading (HK) Company Limited (日新食品貿易(香港)有限公司), a company incorporated in Hong Kong on 6 September 2005 with limited liability and shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Deed of Indemnity”	the deed of indemnity dated 26 September 2016 and entered into by Mr. Liu and Classic Line in favour of our Company (for our Company and as trustee for our subsidiaries), the details of which are set out in the section headed “Statutory and General Information – E. Other information – 1. Tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 26 September 2016 and entered into by Mr. Liu and Classic Line in favour of our Company (for our Company and as trustee for our subsidiaries), particulars of which are set out in the section headed “Relationship with our Controlling Shareholders – Non-competition undertakings” in this prospectus
“Director(s)”	the director(s) of our Company

DEFINITIONS

“Eminent Ace”	Eminent Ace Group Limited, a company incorporated in the BVI with limited liability on 10 March 2016, which shall be a direct wholly-owned subsidiary of our Company upon the completion of the Reorganisation
“EU”	the European Union
“Euro” or “EUR”	Euro, the official currency of the eurozone
“Euromonitor International”	Euromonitor International Limited, an independent market researcher commissioned by our Company for preparing the Euromonitor Report
“Euromonitor Report”	the market research report prepared by Euromonitor International on food sourcing and processing services in Hong Kong as commissioned by us, an extract of which is set forth in the section headed “Industry Overview” in this prospectus
“Frontpage Capital” or “Sole Sponsor” or “Sole Bookrunner” or “Lead Manager”	Frontpage Capital Limited, a licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the sole sponsor for the Listing, the sole bookrunner and the lead manager for the Placing, and an Independent Third Party
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Golden Bliss”	Golden Bliss Limited, a company incorporated in the Seychelles with limited liability on 4 May 2016, which is wholly-owned by Ms. Liu
“Good Vision”	Good Vision Limited, a company incorporated in the Seychelles with limited liability on 4 May 2016, which is wholly-owned by Tang Palace
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

DEFINITIONS

“Healthy Cheer”	Healthy Cheer International Limited (康意國際有限公司), a company incorporated in Hong Kong on 11 March 2009 with limited liability and shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“HK\$” or “Hong Kong Dollars”	Hong Kong Dollars, the lawful currency of Hong Kong
“HKEx website”	the internet website at <i>www.hkexnews.hk</i> operated by Hong Kong Exchanges and Clearing Limited
“HKFRSs”	the Hong Kong Financial Reporting Standards (including Hong Kong Accounting Standards, amendments and interpretations) issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual or a company which is independent from and not connected with (within the meaning of the GEM Listing Rules) any directors, chief executive, substantial shareholders of our Company, its subsidiaries or any of their respective associates
“Latest Practicable Date”	22 September 2016, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“Lion Metro”	Lion Metro Limited (獅城有限公司), a company incorporated in the BVI with limited liability on 25 May 2016, which shall be an indirect wholly-owned subsidiary of our Company upon the completion of the Reorganisation
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which dealings in the Shares on GEM first commence
“Listing Division”	the Listing Division of the Stock Exchange

DEFINITIONS

“Main Board”	the stock market operated by the Stock Exchange, which excludes GEM and the options market
“Memorandum”	the memorandum of association of our Company
“Mr. Lee”	Mr. Lee Fu Ming (李富明), the sole shareholder and director of Power Shield
“Mr. Liu”	Mr. Liu Chi Ching (廖子情), an executive Director, the Chairman of the Board and a Controlling Shareholder
“Ms. Liu”	Ms. Liu Siu Yin Clara (廖小燕), the sole shareholder and director of Golden Bliss
“Ms. Wu”	Ms. Wu Shuk Kwan (胡淑君), an executive Director and the Chief Executive Officer of the Company
“Nomination Committee”	the nomination committee of our Board
“Placing”	the conditional placing of 320,000,000 Placing Shares by the Underwriters on behalf of our Company for cash at the Placing Price, as further described in the section headed “Structure and Conditions of the Placing” in this prospectus
“Placing Price”	the final placing price per Placing Share, excluding any brokerage fee, SFC transaction levy and Stock Exchange trading fee, which will be not more than HK\$0.25 and is expected to be not less than HK\$0.225, such price to be determined on Price Determination Date, as may be agreed between our Company and the Lead Manager (for itself and on behalf of the Underwriters)
“Placing Shares”	the 320,000,000 Shares being offered by our Company for subscription
“Power Shield”	Power Shield Limited, a company incorporated in the Seychelles with limited liability on 4 May 2016, which is wholly-owned by Mr. Lee
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Company (Winding Up and Miscellaneous Provisions) Ordinance
“Price Determination Date”	the date, expected to be on or around Tuesday, 4 October 2016, on which the Placing Price is fixed by our Company and the Lead Manager (for itself and on behalf of the Underwriters) for the purpose of the Placing
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed “History, Development and Reorganisation – Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, further details of which are contained in the section headed “Statutory and General Information – A. Further information about our Company” in Appendix V to this prospectus
“Seychelles”	the Republic of Seychelles
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 26 September 2016, a summary of the principal terms and conditions of which is set forth in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix V to this prospectus
“sq.cm.”	square centimetre

DEFINITIONS

“sq.ft.”	square feet
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies (Winding Up and Miscellaneous Provisions Ordinance)) of our Company
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tang Palace”	Hong Kong Tang Palace Food & Beverage Group Company Limited (香港唐宮飲食集團有限公司) (formerly known as China Tang Palace F&B Enterprise Limited (中國唐宮飲食企業有限公司), and prior to that, Shine Light Enterprises Limited (旭明企業有限公司)), a company incorporated in the BVI on 12 November 2009, which is a direct wholly-owned subsidiary of Tang Palace (China)
“Tang Palace Group”	Tang Palace (China) and its subsidiaries
“Tang Palace (China)”	Tang Palace (China) Holdings Limited (唐宮(中國)控股有限公司) (Stock Code: 1181), a company listed on the Main Board of the Stock Exchange
“Track Record Period”	the period comprising the two financial years ended 31 March 2015 and 2016
“Underwriters”	the underwriters of the Placing, whose names are set out in the section headed “Underwriting – Underwriters” in this prospectus
“Underwriting Agreement”	the underwriting agreement dated 30 September 2016 and entered into between, amongst others, our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Co-Lead Managers and the respective Underwriters in relation to the underwriting of the Placing Shares, further details of which are set out in the section headed “Underwriting – Underwriting arrangements and expenses” in this prospectus

DEFINITIONS

“US” or “U.S.” or “United States” the United States of America

“%” per cent.

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

Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names of the entities mentioned in this prospectus and their English translations, the Chinese names shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms, definitions and abbreviations used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.

“HACCP”	Hazard Analysis and Critical Control Points, a management system in which food safety is addressed through the identification and analysis and the prevention and control of biological, chemical and physical hazards in production processes to ensure the finished products of an organisation are safe for human consumption
“ISO”	International Organization for Standardization standards for quality management which ensure an organisation’s products conform to customer requirements and applicable statutory and regulatory standards and which set requirements for what an organisation must do to manage processes influencing product quality
“ISO 22000:2005”	a standard of the ISO 22000 series, which specifies the requirements of an organisation to implement food safety management systems that control food safety hazards and consistently provide safe products for human consumption

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements including, without limitation, words and expressions such as “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “plan”, “seek”, “will”, “would” or similar words or statements, in particular, in the sections headed “Business” and “Financial Information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

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

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

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

RISK FACTORS

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Placing. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospectus of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

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

RISKS RELATING TO OUR BUSINESS AND OPERATIONS

Our business and reputation may be affected by product tampering, food safety issues, food-borne illnesses, health threats, product liability claims, litigation, complains, and adverse publicity

Similar to any food products, our food ingredients involve an inherent risk of injury to consumers if they do not meet the required health and safety standards. These injuries may result from tampering by unauthorised third parties or product contamination, including the presence of foreign contaminants, bacteria, chemicals, pesticides, preservatives or other agents or residues during farming, harvesting, transportation and storage. While we are subject to governmental inspections and regulations, in addition to our own quality control, we cannot assure that our food ingredients will always meet the required safety and health standards, the consumption of our products will not cause health-related illnesses in the future, or that we will not be subject to product liability claims or lawsuits relating to such matters. Although we maintain product liability insurance, such insurance is subject to caps on damages and we would be liable for any damages in excess of such caps awarded against us in any product liability claim. Furthermore, the mere publication of information asserting that our food ingredients contain or have contained any contaminants or have caused personal injuries or illnesses could damage our reputation with customers and our brand image, which could have a material adverse effect on us, regardless of whether these reports have any factual basis.

In the event that our food ingredient is found to be contaminated with chemical, pesticide or preservatives after being delivered to our customers or consumers, we will be required to perform an immediate recall of such food ingredient, which could adversely affect the results of our operations. In addition, the food industry in China has in the past experienced problems related to food safety due to inadequate enforcement of food safety regulations and inspection procedures. While these events may not have any direct connection to us, they may negatively influence consumers' perception and demand for our food ingredients, in particular fresh vegetables that we import from the PRC, which could adversely affect our reputation, business operations, financial position and prospects.

RISK FACTORS

Further, sources of the supply of our food ingredients may be adversely affected if the Government imposes restrictions or bans on their supply to prevent disease outbreaks. Alternative food sources are required and this could adversely affect the supply of some of our important food ingredients and significantly increase our costs.

We rely on independent suppliers for our packaging materials and any safety issues with these packaging materials could adversely affect our reputation, business operations and financial performance

We use certain packaging materials such as plastic bags, labels and styrofoam boxes. Some of the packaging materials we use may contain harmful chemicals or substances of which we are not aware of and may cause undesirable side effects or injuries to our customers. We cannot assure you that our packaging materials are free from defects or compliant with relevant safety standards for food packaging in every circumstance. Failures by our packaging suppliers to supply quality or food grade plastic packaging materials could result in packaging chemicals leeching onto our food ingredients and our food ingredients becoming harmful or inedible.

We cannot assure you that our quality control measures will be able to detect defects in our packaging materials in every circumstance. Any defect undetected and left in our packaging materials could adversely affect the quality of our food ingredients, which could in turn result in a material and adverse impact on our reputation, business operations, financial position and prospects.

Increases in the cost of food ingredients may materially affect our business operations

Our operational performance is susceptible to increases in our purchase costs of food ingredients from our suppliers. For the two years ended 31 March 2015 and 2016, approximately HK\$104,146,000 and HK\$110,356,000, representing 79.0% and 78.6%, respectively of the costs of sales of our Group were attributable to the purchase costs of food ingredients. A rise in the purchase costs of food ingredients may be the result of various external factors, such as fluctuations in weather, seasonality, fluctuations in costs of goods caused by supply and demand and other economic conditions that may adversely affect the cost, availability and quality of our food ingredients. If we are unable to obtain the requisite quantities of food ingredients at commercially reasonable prices in accordance with our customers' requirements, our business could be adversely affected. In the event that the purchase costs of food ingredients from our suppliers increase in the future and we are unable to pass these cost increases onto our customers immediately, our operational performance may also be affected.

Please refer to the section headed "Business – Procurement of food ingredients – Sensitivity analysis" for a sensitivity analysis on the impact of hypothetical fluctuations in our costs of raw materials.

RISK FACTORS

We do not usually enter into long-term arrangements with our suppliers, customers and key accounts

As the availability and quality of our food ingredients and products are dependent on various external factors, our operations must be flexible to respond to the fluidity conditions of the market. In order to retain operational flexibility, we generally do not enter into long-term arrangements with our suppliers, customers or key accounts. As a result, they may at their discretion reduce or cease purchasing food ingredients from us or reduce or cease supplying food ingredients or raw materials to us, which could adversely affect our business and results of operations. There is no guarantee that our current or future contracts can be negotiated on terms and prices equivalent to or better than current terms and prices.

The products we sell are perishable and fragile

We focus on the provision of vegetables and fruits, and their freshness are crucial to our business operations. Many of our products are highly perishable, such as fresh or chilled food ingredients, and their freshness and shelf-lives can be easily affected by several factors ranging from the conditions of storage, handling and timeliness and conditions of their transportation and delivery. As fresh vegetables and fruits are fragile in nature, damage caused during the processing, packaging, transportation and delivery of our products may reduce our food ingredients' shelf-lives. In addition, delayed delivery of food ingredients to our processing factory, poor temperature and humidity control, poor processing techniques and delayed transportation and delivery to our customers by our Group or third party logistics services providers may diminish spoil our products. Thus, our business is dependent on the proper storage conditions, handling and prompt transportation and delivery of our products. Disruptions caused by these factors or other factors beyond our control may result in significant damage to our products which in turn would cause harm to our reputation and operational performance.

Our Group has a history of net current liabilities during the Track Record Period

As at 31 March 2015, our Group reported net current liabilities of approximately HK\$7,557,000. The net current liabilities of our Group as at 31 March 2015 were primarily due to amounts invested in the setting up of our existing production base in Shatin, which resulted in a large amount of capital expenditures. As at 31 July 2016, our Group reported net current liabilities of approximately HK\$12,933,000. The net current liabilities of our Group as at 31 July 2016 was primarily due to the declaration of HK\$17,000,000 in dividends on 12 May 2016. There is no assurance that our Group's operations will generate sufficient cash inflow or we could raise funds from other channels to finance all our Group's activities and cover its general working capital requirements in the future. In the event that our Group is unable to generate enough cash from its operations to finance its future development, the performance and prospects of our Group as well as its ability to implement its business plans will be adversely affected.

RISK FACTORS

The potential impact of our Group's future plans may adversely affect our financial performance

Details of our Group's future plans are set out in the sections headed "Business – Business strategies" and "Business Objectives and Future Plans" in this prospectus. The successful implementation of our future plans, include, without limitation to, (i) increase transportation capacity by expanding our vehicle fleet, (ii) increase marketing efforts and enhance sales channels, (iii) expand processing capacity and upgrade processing facilities and (iv) strengthen staff recruitment and training. We may incur substantial costs to actualise our future plans, including, but not limited to, increases in depreciation and amortisation expenses from the acquisition of new processing base and facilities and vehicle fleet, increases in staff cost from the recruitment of operational staff, etc. Although we are under negotiations with several potential customers, our Group has not entered into any formal or legally binding agreements with most of our potential customers, including Dragon King Group and 1957 Group, in relation to the new business opportunities due to the limitation on existing processing capacity. There is no assurance that we will be able to successfully secure these new business opportunities upon the completion of our new processing base. In addition, we may not be able to secure sufficient new purchase orders to match the increase in processing capacity. Any insufficient new orders, and the increases in costs to actualise our future plans, if realised, may adversely affect our financial performance in the future.

We are exposed to credit risks from customers and delay in payments from our customers may affect our cashflow position and results of operations

We are exposed to credit risks from our customers. We experienced an increase in our trade receivables and as at 31 March 2015 and 2016, our trade receivables amounted to HK\$23,316,000 and HK\$26,955,000 respectively, representing 15.3% and 16.2% of our revenue for the respective years, and we have made provision of approximately HK\$59,000 and HK\$6,000 for impairment of trade receivables for the two years ended 31 March 2015 and 2016, respectively. Although we are offered credit terms by some of our suppliers, we still have to pay certain costs and expenses in advance prior to receiving payment from our customers, and we also need to have sufficient cashflow to maintain our daily operations. In the event that our customers delay their payments to us by reason of insufficient liquidity or whatsoever, our cashflow level may be reduced, and our operation and financial position may be adversely affected accordingly. In addition, there may be costs incurred in the collection of prolonged trade receivables and that our profit and hence our performance may be adversely affected.

We rely on a few key personnel and may not be able to retain their services

The success of our Group to date has been, and the future success of our Group will be, dependent on the continued services of our management and key personnel. Our Group expects that our management team will continue to play a pivotal role in the future growth and success of our business. However, there is no assurance that our Group will be able to continue to retain the services of any or all of our management team and key personnel. If any of these personnel is unable or unwilling to continue to serve in his/her present position, and our Group is unable to find a suitable replacement in a timely manner, the loss of their

RISK FACTORS

services may cause disruption to our business and may have an adverse impact on our ability to manage or operate our business effectively. The results of our Group's operations may be adversely affected as a result.

We generate some of our revenue through referrals from third party marketing companies and sales representatives

For the two years ended 31 March 2015 and 2016, we engaged five and three independent marketing companies or sales representatives to whom we outsource a portion of our sales and marketing activities, respectively. Generally, our Group pays these marketing companies and sales representatives monthly in arrears amounted to a percentage of the corresponding referred sales upon the receipt of payments from the corresponding referred sales to us. For the years ended 31 March 2015 and 2016, our revenue generated through referrals from third party marketing companies and sales representatives amounted to approximately HK\$31,553,000 and HK\$31,743,000 respectively, representing approximately 20.7% and 19.1% of the total revenue of our Group in the respective period. Our Group has not entered into long-term agreements with the third party marketing companies and sales representatives. There is no assurance that the third party marketing companies and sales representatives will continue to refer sales to our Group in the future. Should these third party marketing companies and sales representatives cease referring sales to our Group, and unless our Group can compensate such loss of revenue by bringing additional business to our Group from ourselves or other sources, our Group's revenue may be adversely affected.

RISKS RELATING TO OUR INDUSTRY

We cannot guarantee that the licences and certificates required for the processing and distribution of our Group's products can be renewed

During the Track Record Period and as at the Latest Practicable Date, our Group has obtained all necessary licences and certificates for the processing and sales of our Group's present food ingredients. However, there is no assurance that our Group can renew any of the existing licences and certificates required in connection with our Group's processing and sales of its food ingredients upon their expiration. In addition, the eligibility criteria for these licences and certificates may change from time to time and additional licences and certificates may be required as well as more stringent compliance requirements may be imposed and observed. Introduction of any new laws and regulations or amendment to any existing law and regulations may escalate compliance costs for our Group, or prohibit our Group from, or result in our Group having to incur more costs to continue with, the operation of its business. Upon occurrence of such events, our Group's operations may have to be restricted and our Group's profitability would be adversely affected.

Our Group is susceptible to changes in general economic conditions

Many of our customers are catering groups and restaurant operators that operate numerous restaurant brands and chains throughout Hong Kong. Our continued growth therefore depends on the abilities of our customers to profitably operate their catering or restaurant operations, which may be significantly affected by general economic conditions

RISK FACTORS

such as changes in competitive conditions, consumer tastes and discretionary spending patterns in the markets in which our customers operate. There are also macroeconomic factors affecting the businesses of our customers, including but not limited to recession, increase in unemployment levels, political instability, fall in disposable consumer income and general consumer confidence. All such factors may lead to a reduction in consumer traffic and average spending in restaurants operated by our customers, which in turn could adversely affect our business.

Intense competition in the food sourcing and processing industry could prevent us from increasing or sustaining our revenue and profitability

The food sourcing and processing industry in Hong Kong is competitive and fragmented. According to the Euromonitor Report, the competition in the industry is keen, and many new competitors may join the food sourcing and processing industry given that the market is profitable. This may prevent us from increasing or sustaining our revenue generating ability and profitability.

RISKS RELATING TO THE PLACING

An active trading market of the Shares may not develop

Prior to the Listing, there has been no public market for any of the Shares. The initial Placing Price range for the Placing Shares was the result of negotiations among our Company and the Lead Manager (for itself and on behalf of the Underwriters). The Placing Price may differ significantly from the market price for the Shares following the Placing. However, even if approved, being listed on GEM does not guarantee that an active trading market for the Shares will develop following the Listing or that the Shares will always be listed and traded on GEM. Our Group cannot assure that an active trading market will develop or be maintained following completion of the Placing, or that the market price of the Shares will not fall below the Placing Price.

There has been no prior public market for the Shares, and the liquidity, market price and trading volume of the Shares may be volatile

Upon Listing, the trading volume and market price of the Shares may be affected or influenced by a number of factors from time to time, including but not limited to, the revenue, earnings and cash flows of our Group and announcements of new services and/or investments of our Group, strategic alliances and/or acquisitions, fluctuations in market prices for our Group's services or fluctuations in market prices of comparable companies, changes of senior management of our Group, and general economic conditions. Any such developments may result in large and sudden changes in the volume and price at which the Shares will trade. There is no assurance that such developments will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares. In addition, shares of other companies listed on GEM have experienced substantial price volatility in the past. It is likely that from time to time, the Shares will be subject to changes in price that may not be directly related to our Group's financial or business performance.

RISK FACTORS

Purchasers of the Placing Shares will experience an immediate dilution and may experience further dilution if our Company issues additional Shares or other securities in the future

Based on the Placing Price range, the Placing Price is expected to be higher than the net tangible asset value per Share immediately prior to the Placing. Therefore, the purchasers of the Placing Shares will experience an immediate dilution in unaudited pro forma net tangible asset value to approximately HK\$0.059 per Share and approximately HK\$0.065 per Share based on the audited combined net tangible assets of our Group attributable to the owners of our Company as at 31 March 2016 and the Placing Price of HK\$0.225 per Placing Share and HK\$0.25 per Placing Share respectively. Additional funds may be required in the future to finance the expansion or new developments of the business and operations of our Group or new acquisitions. 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, the percentage ownership of the Shareholders in our Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the Placing Shares.

Future sales by existing Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares

The Shares held by the Controlling Shareholders are subject to lock-up beginning on the date on which trading in the Shares commences on GEM. There is no assurance that the Controlling Shareholders will not dispose of the Shares held by them. Our Group cannot predict the effect, if any, of any future sales of the Shares by any substantial shareholder of our Company or Controlling Shareholder, or the availability of Shares for sale by any substantial Shareholder or Controlling Shareholder may have on the market price of the Shares. Sales of a substantial amount of Shares by any substantial Shareholder of our Company or Controlling Shareholder or the issuance of a substantial amount of new Shares by our Company, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

Statistics and facts in this prospectus have not been independently verified

This prospectus includes certain statistics and facts that have been extracted from Government official sources and publications or other sources. Our Company believes the sources of these statistics and facts are appropriate sources for such statistics and facts and have taken reasonable care in extracting and reproducing such statistics and facts. Our Company has no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by our Company, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Co-Lead Managers, the Underwriters, any of their respective directors or any other parties involved in the Placing and no representation is given as to the accuracy of these statistics and facts.

RISK FACTORS

Forward-looking statements contained in this prospectus may prove inaccurate and therefore investors should not place undue reliance on such information

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors and our Group. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. The actual financial results, performance or achievements of our Group may differ materially from those discussed in this prospectus.

Investors should not rely on any information contained in the press articles or other media regarding us and the Placing

Prior to the publication of this prospectus, there might have been press articles and media coverage regarding us and the Placing which might include certain financial information, financial projections, and other information about us which do not appear in this prospectus. Such information might not be sourced from or authorised by us, hence, we do not accept any responsibility for the accuracy or completeness of such information. We cannot guarantee and make no representation as to the appropriateness, accuracy, completeness or reliability of such information. Potential investors are therefore cautioned to make their investment decisions based solely on the information contained in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief:

1. the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
2. there are no other matters the omission of which would make any statement herein or in this prospectus misleading; and
3. all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Placing which is sponsored by the Sole Sponsor. The Placing Shares will be fully underwritten by the Underwriters pursuant to the Underwriting Agreement subject to the Placing Price being fixed by agreement between our Company, the Lead Manager, the Co-Lead Managers and the Underwriters on the Price Determination Date. For further information about the underwriting arrangements, please refer to the section headed "Underwriting – Underwriters" in this prospectus.

RESTRICTIONS ON SALE OF THE PLACING SHARES

Each person acquiring the Placing Shares will be required to confirm or by his/her/its acquisition of the Placing Shares will be deemed to confirm that he/she/it is aware of the restrictions on the placing of the Placing Shares described in this prospectus. Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit a placing or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Placing in any jurisdiction or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under any applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Prospective investors for the Placing Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions. Prospective investors for the

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

Placing Shares should inform themselves as to the relevant legal requirements of applying for the Placing Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

INFORMATION ON THE PLACING

The Placing Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Co-Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Placing.

STRUCTURE AND CONDITIONS OF THE PLACING

Further details of the structure and conditions of the Placing are set out in the section headed “Structure and Conditions of the Placing” in this prospectus.

APPLICATION FOR LISTING ON GEM

Our Company satisfies the requirements relating to continuity of ownership and control throughout the full financial year immediately preceding the Latest Practicable Date and up until the Listing Date under Rule 11.12A(2) of the GEM Listing Rules.

Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. No part of the share or loan capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission of dealing is being or is proposed to be sought.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void. The Shares are freely transferable. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the “minimum prescribed percentage” of 25% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

No part of the Shares or the loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to the Placing Shares, they should consult an expert. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Co-Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Placing accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to the Placing Shares.

SHARE REGISTRAR AND STAMP DUTY

All the Shares will be registered on the branch register of members of our Company in Hong Kong. Dealings in the Placing Shares registered on the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong Dollars in respect of the Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional advisers.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Thursday, 13 October 2016. Shares will be traded in board lots of 10,000 each. The stock code for the Shares is 8240. Our Company will not issue any temporary documents of title.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

REASONS FOR THE PLACING

Despite the considerable expenses for the Listing, our Directors decide to proceed with this form of equity financing for the purpose of our business expansion instead of debt financing because our Directors are in the views that maintaining low level of borrowings would benefit our Group and Shareholders as a whole. Given that the uncertain interest rate movement going forward (which may expose to increasing borrowing costs in the future via debt financing), our Directors believe that our Group's financial performance and liquidity may be negatively affected due to the principal and interest payments if we proceed with debt financing to fund our business expansion.

According to the Euromonitor Report, the overall vegetables and fruits supply services industry is comparatively fragmented in Hong Kong with more than five hundreds of vegetables and fruits supply service providers. Our Directors believe that the Listing will allow us to stand out from other suppliers, and can further enhance the profile and recognition of our Group and products and hence further strengthen our existing and potential suppliers' and customers' confidence in us, enable us to attract and retain quality personnel in this competitive market, and enhance our internal corporate governance. In addition, the Listing and the Placing could enhance our capital base and provide our Company with additional avenues to raise capital to strengthen our financial position and enable us to implement our business objectives set out in this section. Furthermore, a public listing status on GEM will allow us to access to capital market for future corporate finance exercises, which will assist in our future business development and strengthen our competitiveness.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Liu Chi Ching (廖子情) (Chairman)	Flat A, 25/F Block 3, Vision City 1 Yeung Uk Road Tsuen Wan New Territories Hong Kong	Chinese
Ms. Wu Shuk Kwan(胡淑君) (Chief Executive Officer)	Flat D, 31/F Block 5, Vision City 1 Yeung Uk Road Tsuen Wan New Territories Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. Wong Chung Yeung (黃忠揚)	House K73 Marina Cove Sai Kung New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Ms. Li On Lei (李安梨)	Flat G, 8/F Block 8, Tseung Kwan O Plaza 1 Tong Tak Street Tseung Kwan O New Territories Hong Kong	Chinese
Mr. Ng Ki Man (吳祺敏)	Flat G, 27/F Block 2, Goodrich Garden 9 Leung Tak Street Tuen Mun New Territories Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Name	Residential Address	Nationality
Mr. Lo Siu Kit (羅少傑)	Flat 10, 29/F Wah Suen House Ching Wah Court Tsing Yi New Territories Hong Kong	Chinese

For further information on the profile and background of our Directors, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

PARTIES INVOLVED IN THE PLACING

Sole Sponsor	Frontpage Capital Limited 26/F, Siu On Centre No. 188 Lockhart Road Wan Chai Hong Kong <i>(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i>
Sole Bookrunner and Lead Manager	Frontpage Capital Limited 26/F, Siu On Centre No. 188 Lockhart Road Wan Chai Hong Kong <i>(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i>
Underwriters	Frontpage Capital Limited China Industrial Securities International Capital Limited Quam Securities Company Limited FP Sino-Rich Securities & Futures Limited
Legal advisers to our Company	<i>As to Hong Kong law:</i> CFN Lawyers in association with Broad and Bright Room 4124, 41/F Sun Hung Kai Centre 30 Harbour Road Wan Chai Hong Kong <i>(Solicitors of Hong Kong SAR)</i>

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

As to Cayman Islands law:

Appleby
2206-19 Jardine House
1 Connaught Place
Central
Hong Kong
(Cayman Islands attorneys-at-law)

**Legal adviser to the Sole
Sponsor and the Underwriters**

As to Hong Kong law:
Li Wai Kwong & Co Solicitors
Unit 1602
Tung Chiu Commercial Centre
193-197 Lockhart Road
Wan Chai
Hong Kong
(Solicitors of Hong Kong SAR)

**Auditor and reporting
accountant**

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong
(Certified Public Accountants)

Property valuer

BMI Appraisals Limited
33/F, Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Workshop No. A-B, 1/F Sunking Factory Building No. 1-7 Shing Chuen Road Shatin New Territories Hong Kong
Company secretary	Ms. Yim Sau Ping (嚴秀屏)(CPA) 2/F, 596 Wonderland Tai Po Tau Tai Po New Territories Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Liu Chi Ching (廖子情) Flat A, 25/F Block 3, Vision City 1 Yeung Uk Road Tsuen Wan New Territories Hong Kong Ms. Yim Sau Ping (嚴秀屏) 2/F, 596 Wonderland Tai Po Tau Tai Po New Territories Hong Kong
Compliance officer	Ms. Wu Shuk Kwan (胡淑君)
Audit committee	Mr. Ng Ki Man (<i>Chairman</i>) Ms. Li On Lei Mr. Lo Siu Kit
Remuneration committee	Ms. Li On Lei (<i>Chairman</i>) Mr. Ng Ki Man Mr. Lo Siu Kit Mr. Liu Chi Ching

CORPORATE INFORMATION

Nomination committee	Mr. Liu Chi Ching (<i>Chairman</i>) Ms. Li On Lei Mr. Ng Ki Man Mr. Lo Siu Kit
Compliance adviser	Frontpage Capital Limited 26/F, Siu On Centre No. 188 Lockhart Road Wan Chai Hong Kong <i>(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i>
Principal share registrar and transfer office in the Cayman Islands	Estera Trust (Cayman) Limited Clifton House 75 Fort Street P.O. Box 1305 Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	OCBC Wing Hang Bank Limited 161 Queen's Road Central Central Hong Kong The Bank of East Asia Limited 31st Floor, BEA Tower Millennium City 5 418 Kwun Tong Road Kowloon Hong Kong
Company's website	<i>www.cyfood.com.hk (the information contained in this website does not form part of this prospectus)</i>

INDUSTRY OVERVIEW

The information that appears in this section has been prepared by Euromonitor International Limited and reflects estimates of market conditions based publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor International Limited should not be considered as the opinion of Euromonitor International Limited as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors 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. The information prepared by Euromonitor International Limited and set out in this section has not been independently verified by our Group, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Co-Lead Managers, the Underwriters or any other party involved in the Placing and no representation is given as to its accuracy.

SOURCE OF INFORMATION

In connection with the Listing, we have commissioned Euromonitor International, an independent third party, to conduct a study of the food sourcing and processing services in Hong Kong at a fee of US\$43,500. Established in 1972, Euromonitor International is the world leader in strategy research for both consumer and industrial markets. With offices around the world and analysts in 80 countries, Euromonitor International is a leading provider of global market intelligence. Except for the Euromonitor Report, we have not commissioned any other customised research report in connection with the Listing or this prospectus.

The objective of the research is to provide an independent assessment of the services of supplying vegetables and fruits for the food service industry in Hong Kong and to attain an objective and robust overview of the markets.

RESEARCH METHODOLOGY

Euromonitor International's research methodology offered a combination of primary and secondary research to build a market consensus view of size, shape and trends across each category. Primary research consists of qualitative based trade interviews with multiple organisations to augment the estimated market size, growth trend and competitive landscape, whereas secondary research began with an assessment of publicly available secondary information through various sources including but not limited to governmental statistics, reports and/or databases, specialist trade press, company financial or annual reports, independent analyst reports and Euromonitor International's existing industry data base.

Euromonitor International based the Euromonitor Report on the following assumptions:

- The Hong Kong economy is expected to maintain steady growth over the forecast period;
- The Hong Kong social, economic, and political environments are expected to remain stable during the forecast period;
- There will be no external shock, such as a financial crisis or raw material shortage that affects the demand and supply of the foodservice industry in Hong Kong during the forecast period;

INDUSTRY OVERVIEW

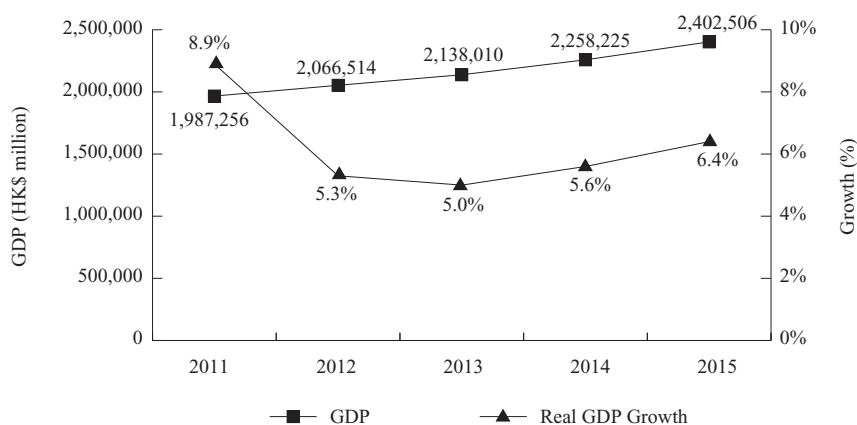
- Key market drivers such as economic growth, tourism, consumer affluence and habits and government policy are expected to boost the development of the foodservice industry and the service of supplying vegetables and fruits to the foodservice industry in Hong Kong;

The research results may be influenced by the accuracy of these assumptions and the choice of these parameters. The market research was completed in June 2016 and all statistics in the Euromonitor report are based on information available at the time of reporting. Euromonitor's forecast data is derived from an analysis of the historical development of the market, the economic environment, and underlying market drivers, and it is cross-checked against established industry data and trade interviews with industry experts.

MACRO-ECONOMIC ENVIRONMENT IN HONG KONG

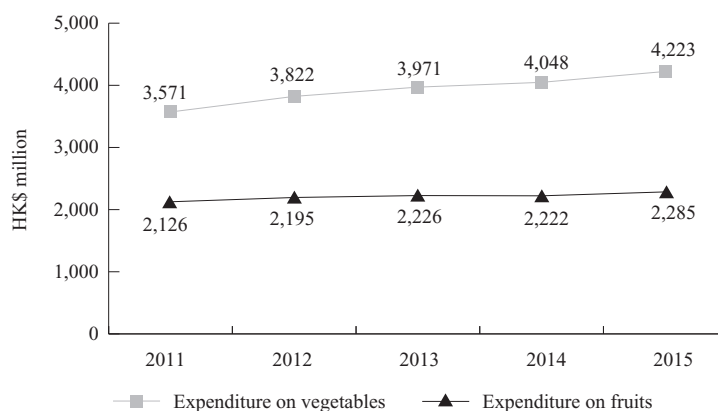
Hong Kong's economy expanded by a CAGR of 5.6% over the 2011 through 2015 review period, recovering strongly from the global financial crisis since 2011. Gross national income has grown proportionally together with GDP growth, having expanded by a CAGR of 5.2% over the same review period to reach HK\$2,436.6 billion in 2015. GDP per capita however grew at a slower CAGR of 4.4%, largely due to the population growing by a 0.7% CAGR over the same period.

Gross Domestic Product in Hong Kong, Historic (2011-2015)



Source: The Census and Statistics Department of Hong Kong

Per Capita Consumer Expenditure on vegetables and fruits in Hong Kong, Historic (2011-2015)



Source: The Census and Statistics Department of Hong Kong

INDUSTRY OVERVIEW

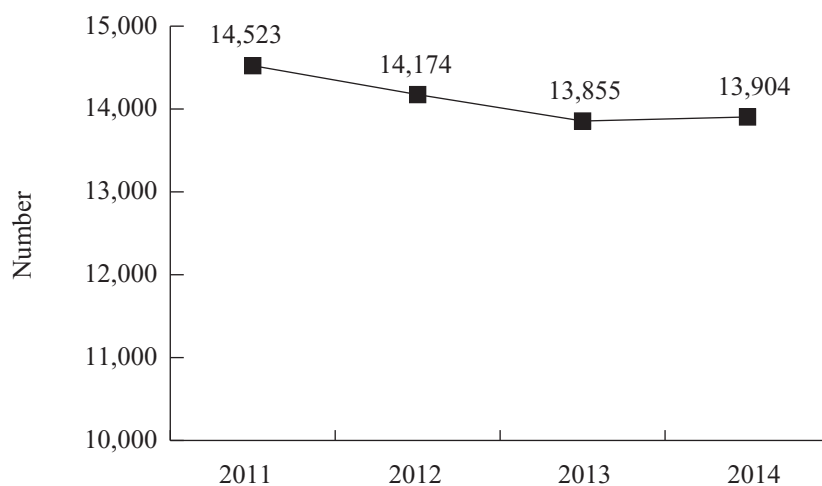
THE FOOD SERVICE INDUSTRY IN HONG KONG

Total revenue generated by the consumer food service industry in Hong Kong has grown significantly over the 2011 through 2015 review period, expanding by a 4% CAGR to reach HK\$104,331 million in 2015 – up from HK\$89,301 million in 2011. This was despite a fall in the number of establishments within the industry, which hit a high of 14,523 establishments in 2011 before declining to 13,904 establishments in 2014, on the back of fierce competition and rising operating costs such as higher rental and wages, squeezing profit margins and forcing less popular retailers to close shop.

This has also seen a trend of the premiumisation of consumer food service in Hong Kong to meet growing demand for premium dining by both affluent locals as well as wealthy tourists, manifesting in the form of restaurants helmed by Michelin starred chefs, gourmet ice cream cafes, and gourmet cafes. Fine dining and premium dining experience where ambience and lifestyle image are at the forefront has also gained popularity with the more affluent consumer segment, as dining out becomes a lifestyle choice and expression of their affluence for such consumers. This trend has helped to lift revenue among restaurants, with receipts growing by a CAGR of 3.3% over the review period to reach HK\$77,369 million in 2015, or about three-quarters of total receipts in the food service industry.

The charts below show the total number of establishments, and total receipts and purchases of the food service industry in Hong Kong:

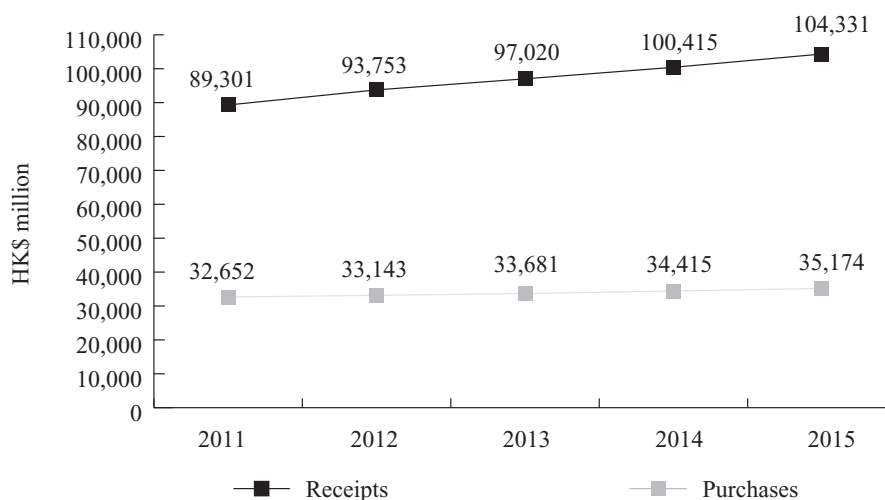
Total number of establishments within the food service industry in Hong Kong, Historic (2011-2014)



Source: The Census and Statistics Department of Hong Kong

INDUSTRY OVERVIEW

Total receipts and purchases by the food service industry in Hong Kong, Historic (2011 – 2015)



Source: The Census and Statistics Department of Hong Kong

SUPPLY OF VEGETABLES AND FRUITS IN HONG KONG

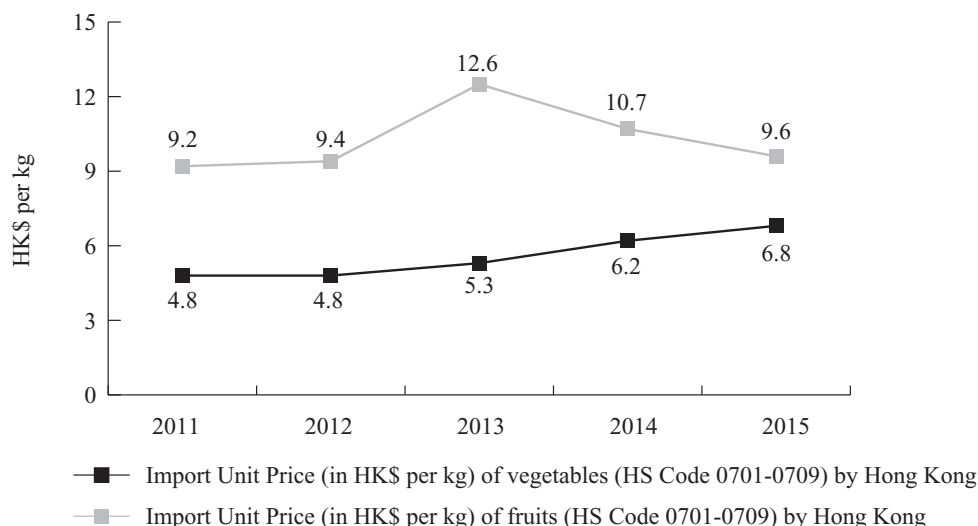
The value of imported vegetables in Hong Kong rose by 8% to reach HK\$6,949 million in 2015, even though import volumes dropped by 2% in the same year. Overall per capita consumption of vegetables remained stable after strong growth in 2011 due to an increase in the number of vegetarians in the population. Over the review period, the focus of recent health campaigns by the government has shifted away from encouraging greater consumption of vegetables, to adopting healthier cooking methods such as using less salt in daily food consumption. This has slowed down the growth of vegetable consumption in recent years.

The volume of imported fruit grew by a CAGR of over 5% over the review period. This was partially due to an increase in the shelf space made available for fruits, while more food service operators are increasingly incorporating different types of fruit, especially lemon and orange, in their menu offerings. More restaurants, especially Chinese restaurants, are also offering fruits instead of sweet desserts on their menus.

INDUSTRY OVERVIEW

The chart below shows the import unit price of vegetables and fruits by Hong Kong between 2011 and 2015:

Import Unit Price of Vegetables and Fruits by Hong Kong, Historic (2011-2015)



Source: The Census and Statistics Department of Hong Kong

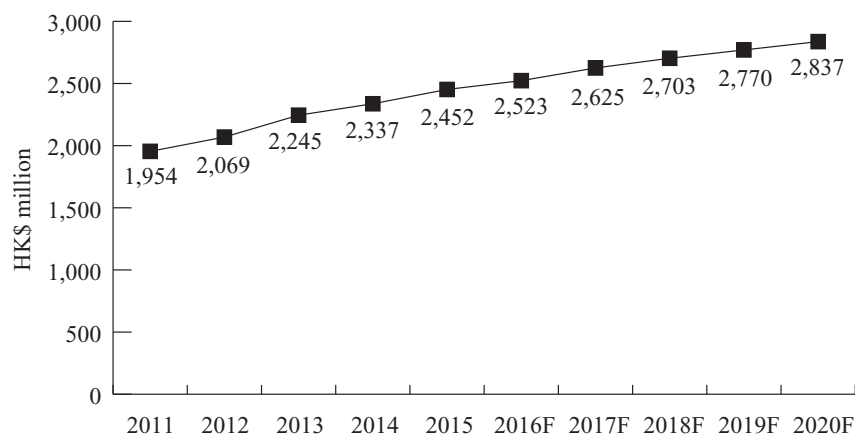
During the review period, the unit price of vegetables imported by Hong Kong increased from HK\$4.8 per kg in 2011 to HK\$6.8 per kg in 2015. This increase was primarily due to (i) the appreciation of RMB; (ii) the increase in cost of production of vegetables in China, including the rising wages of workers; (iii) the increased demand for organic and premium vegetables, which are generally of higher average prices, by the customers in Hong Kong; and (iv) the dramatic increase in the import volume and unit price of the item “Mushrooms and Truffles, dried, but not further prepared” (HS Code 5613) since 2013.

Food service operators a key driving factor in the demand for vegetables and fruits

Purchases of vegetables and fruits by food service operators grew by a CAGR of 6% over the review period, from HK\$1,954 million in 2011 to HK\$2,452 million in 2015. After the recession that began in 2008, the economy in Hong Kong grew strongly from 2010 to 2015, with consumers becoming more affluent and enjoying an increase in disposable incomes. In addition, there has been an influx of tourists visiting Hong Kong, particularly from China ever since cross-border restrictions were eased. These factors have helped to boost growth in the food service industry, which saw many new outlets open across the territory over the review period, as demand for food services increased in Hong Kong.

INDUSTRY OVERVIEW

Food service operators' value spend on vegetables and fruits in Hong Kong, (2011-2020)



Source: Euromonitor estimates from desk research and trade interviews with leading vegetables and fruits suppliers, major food service operators and the relevant trade associations in Hong Kong

According to the Euromonitor's Report, growth in the purchases of vegetables and fruits by food service operators in Hong Kong is expected to slow to a CAGR of 3% in value terms over the forecast period. This is due to the persistent slowdown in global economic growth and the resulting repercussions in Hong Kong's highly interconnected economy, with GDP growth dipping below 1% in the first quarter of 2016. The economic slowdown will likely result in a cutback in consumer spending on restaurant meals, leading to a corresponding reduction in the spending on imported food products by food service operators. Various uncertainties in fiscal policies worldwide, as well as the dampening in the growth of China's economy are expected to exacerbate this slowdown in growth. As a result, demand growth for imported vegetables and fruits from food service operators in Hong Kong is projected to decline over the forecast period.

Furthermore, according to trade respondents, demand from the food service industry, which has benefited from the influx of tourists into Hong Kong via day-trippers from China, has been negatively affected by a decline in the numbers of such tourists from China. This in turn was largely due to various anti-Beijing demonstrations being carried out and anti-Mainland Chinese sentiment among the local populace, which has seen the number of Mainland Chinese tourists fall by more than 10% in the first quarter of 2016.

MARKET DRIVERS

Tourism to stimulate the demand for consumer food services

Strong economic growth since Hong Kong's economy rebounded from the financial crisis in 2008 has led to robust growth in demand for restaurant meals and in turn for vegetables and fruits by food service operators. There has also been an influx of tourists into Hong Kong, many of whom originate from Mainland China. These factors have stimulated a boom in demand for consumer food services, especially among large fast food chains and Chinese style restaurants, which in turn has helped to boost demand for vegetables and fruits.

Health and wellness trends and lifestyle choices of consumers

Consumers in Hong Kong are increasingly becoming more health-conscious and cognizant of what they consume in part due to the government's efforts to highlight the importance of a balanced diet and eating well in general. Consequently, consumers are looking to incorporate more vegetables and fruits into their meals for a healthier and

INDUSTRY OVERVIEW

better-balanced diet. In response to this growth in demand for healthy eating, food service operators have been launching healthier menus, such as vegetarian meals, or increasing the amount of vegetables and fruits to their menu offerings, helping to boost overall demand for vegetables and fruits both over the review period and the forecast period.

Operational decisions of food service industry players

Food service operators such as fast food chains and Hong Kong style restaurants are increasingly demanding processing services from suppliers for the vegetables and fruits they purchase, such as cleaning, slicing and dicing. A key incentive behind this move is to reduce operating costs by outsourcing these processes, thereby cutting down on the usage of labour as rising wages make manpower more expensive and limited. This trend of food service operators increasingly outsourcing the basic processing of vegetables and fruits is expected to further contribute to the growth of the vegetables and fruits supply services industry.

MARKET CONSTRAINTS

Transportation costs sources of operating cost pressures

Transportation costs including the cost of diesel fuel and transport sector wages have typically accounted for a significant cost centre in the business of supplying vegetables and fruits, as such suppliers find it necessary to make frequent deliveries to their clients due to the highly perishable nature of their goods. Despite a fall in crude oil prices, the average wholesale price of diesel did not see a significant dip corresponding in timing or magnitude due to dynamics in the diesel market within Hong Kong, where transaction prices are often set well in advance and lag behind recent trading prices. The average wholesale price for diesel fuel in Hong Kong hovered between HK\$5.61 and HK\$6.24 per liter from 2011 to 2014. As such, suppliers of vegetables and fruits continued to face high and significant transportation costs over the review period. This cost pressure is however expected to have eased in 2015 as average diesel prices finally dipped below HK\$4 per liter, reflecting the anticipated time lag factor.

Average rental prices for flatted factories continues to rise

Rent poses as another major operating cost for the vegetables and fruits supply services industry. The rental prices for factories saw an increase of more than 40% over the 2011-2015 period, as the strong influx of capital from Mainland China into Hong Kong's property market and the shortage of factory space have acted together to drive up rental rates and prices for flatted factories.

Rise in wages squeeze profit margins of vegetable and fruit suppliers

In 2015, the Hong Kong Government revised the country's minimum wage upwards from HK\$30 per hour to HK\$32.5 per hour after adjusting from HK\$28 to HK\$30 in 2013. With this regulation, vegetable and fruit suppliers may have to absorb the wage hike adding to their operational costs in a price competitive industry. Moreover, based on statistics release by the Census and Statistics Department of Hong Kong, over the review period, wages of general works observed a CAGR of 4.8% from 2011-2015. Nevertheless, of some reprieve is the fact that the year on year rate of increment sustained a contractionary trend from 7.8% in 2011/2012 to a moderate and more manageable 1.8% in 2014/2015.

INDUSTRY OVERVIEW

KEY MARKET ENTRY BARRIERS

Supplier-client relationships present key barrier to entry

Although the market still has significant potential for further expansion and growth, barriers of entry remain high as new entrants find it difficult to break the entrenched network of relationships which dominates the supplier-client relationship that is critical in the vegetables and fruits supply services industry, and gives incumbents a significant advantage in stifling new competition.

On the other hand, competition between suppliers of vegetables and fruits remains high, with larger companies attempting to establish a competitive advantage by improving efficiency levels through better logistical planning and execution, as well as actively attempting to poach high-profile clients such as five star hotels and popular restaurants away from competitors.

Trading in commodities in a fragmented market inhibit product differentiation

Whilst entering the market from an operational stand point is not entirely restrictive, nevertheless, the survival rate of new vegetable and fruit suppliers entering the market could potentially be relatively low as many inexperienced owners grapple with intense competition posed by their more experienced counterparts of whom would already have established their commercial networks or “guan xi” on both the supply (vegetable and fruit producers) and demand (food service operators) sides.

Unless new entrants are able to quickly carve out a differentiated service offering that would appeal to both their suppliers and customers, the inherent barrier to entry in competing in the fragmented commodities trade where products sold are generally homogeneous, is the intensity of competitive rivalry which is in favour of the buyers' market.

Shortage of manpower poses operational barriers

Despite plentiful business opportunities in the vegetable and fruit supply services industry, new entrants would likely face a shortage of manpower alongside their more experienced counterparts. This would be especially so in transportation and warehouse logistics, with the number of workers willing to work in transportation on a long-term downward trend. Among the main reasons for this decline and the resulting shortage will be the common sentiment shared by Hong Kong residents that a job in transportation is unappealing and brings with it a lack of bright career prospects.

Notwithstanding, new players wrestling for the same limited pool of resources from their more experienced counterparts would pose a challenge to operations. With potentially fewer transactions expected to be closed in the initial stages of business commencement, wages offered may not be as competitive as that offered by existing players with stronger financial muscle. This may result in the inability for such new entrants to retain their staff in the long run.

COMPETITIVE LANDSCAPE FOR THE VEGETABLE AND FRUIT SUPPLY SERVICES INDUSTRY IN HONG KONG

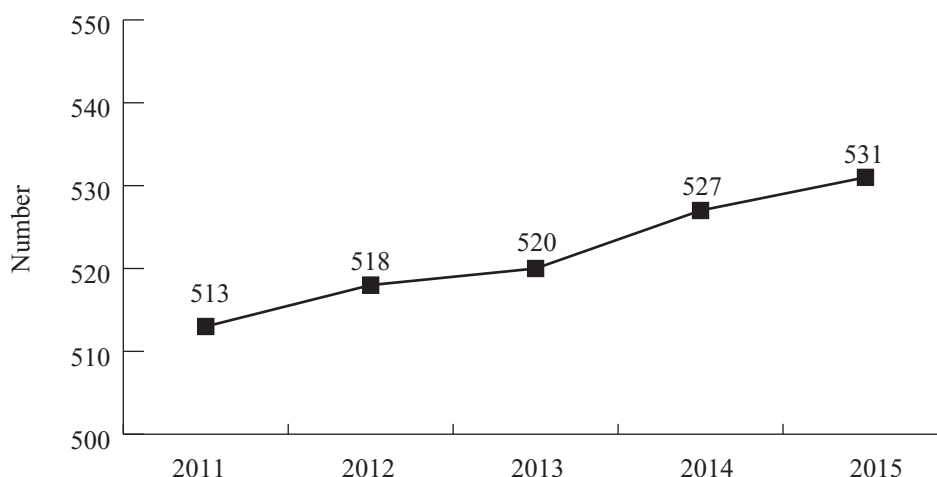
Mature industry with stagnant growth in number of suppliers

The total number of establishments supplying fresh vegetable and fruits in Hong Kong has not changed significantly over the review period, with the overall market being a mature and stagnant industry in Hong Kong. Most of these establishments are smaller companies with fewer than 10 employees, with some being family-owned companies with low staff

INDUSTRY OVERVIEW

turnover. Such companies have good control on their overall operating costs through good management on their business processes, helping them to withstand adverse economic situations.

Number of establishments within the supply of fresh fruits and vegetables sector in Hong Kong, (2011-2015)



Source: The Census and Statistics Department of Hong Kong

Resourceful suppliers with strong networks enjoy competitive advantage in a highly mature and fragmented market

The vegetables and fruits supply services industry is especially fragmented in Hong Kong, with an estimated more than 530 companies involved in the vegetables and fruits supply services industry in 2015. More than 90% of these suppliers are small companies operating with fewer than 10 employees. Suppliers of vegetables and fruits often represent a key component of a wider network involving food service operators as well as vegetables and fruits retailers. According to trade respondents, small-scale suppliers with fewer than 10 employees accounted for around 70% of market value and are a dominant force in the industry. Given that working relationships between suppliers and clients are typically long-term, with many partnerships stretching over decades, barriers to entry remain high for prospective market entrants. As a result, the competitive landscape is expected to remain relatively stable over the forecast period, with no major merger and acquisition activities or market disruption by new entrants expected.

According to trade sources, given the highly fragmented nature of the industry, it is estimated that the top five companies in the vegetables and fruits supply services industry would hold a combined 10% to 15% value share of the market. Based on Euromonitor's market estimate, our group occupied an estimated 5% of the market in terms of revenue in 2015. Generally, these companies would tend to target larger chained and independent food service operators with good consumer reach within the food service industry. The existing prominent players in the supply of vegetables and fruits possess an edge over their smaller rivals, including economies of scale, greater availability of resources for expanding operations as well as more advanced technologies in food processing and logistics, such as being able to engage in e-commerce activities. In addition, these players would tend to have a well-established supply-side network for their vegetables and fruits typically from China, along with them being recognised as these market leaders also tend to be the primary suppliers of choice to leading food service operators, thereby benefitting directly from the strong growth witnessed by these companies. Due to the lack of sufficient publicly accessible information, the market share and individual description of the top five players in the vegetables and fruits supply services industry in Hong Kong was not provided in the Euromonitor Report.

INDUSTRY OVERVIEW

Suppliers of vegetables and fruits compete by providing value-added services

In addition to the supply of products to food service operators, vegetables and fruit suppliers often offer various processing and packaging services such as washing, cutting and packaging to their customers. Larger suppliers often employ their own delivery fleet so as to secure a stable supply line for their clients. Furthermore, with wages becoming an increasingly heavy burden to food service operators, the large amount of manpower required to clean and process raw vegetables would be prohibitively costly, making the purchase of washed and clean vegetables a cost effective choice for food service operators.

Suppliers often compete in service quality via aspects such as providing products in a quick turnaround time and maintaining product quality and freshness throughout. Larger players employ refrigerated vehicles to keep vegetables and fruits at optimum freshness during delivery, with this being an important competitive advantage for overseas vegetables and fruit distributors, as long delivery times in non-chilled vehicles would greatly affect the quality of vegetables and fruits being delivered.

REGULATORY OVERVIEW

The following sets forth the relevant laws and regulations which are required for our operations in Hong Kong:

Food Business Regulation (Chapter 132X of the Laws of Hong Kong)

Our Group is a food ingredients supplier and provides food processing services to major food service operators. Any food factory who intends to prepare and/or manufacture food for sale for human consumption off its premises in Hong Kong must obtain a food factory licence issued by the Director of Food and Environmental Hygiene before the commencement of the food factory business.

The Food Business Regulation provides that no person shall carry on or cause, permit or suffer to be carried on any food business except with a food factory license granted by the Director of Food and Environmental Hygiene of the Food and Environmental Hygiene Department. A “food factory” is defined as any food business which involves the preparation of food for sale for human consumption off the premises.

An application for a food factory license requires the submission of a proposed layout plan of the premises to the Director of Food and Environmental Hygiene with necessary particulars such as the space allocated in the food factory to the preparation, handling and storage of open food, sanitary fitments and drainage works, the siting of all furniture of a substantial and permanent nature, including food manufacturing or preparation plant, cooking ranges, refrigeration or cooling equipment, fixed sideboards, washbasins or sinks, drying racks, water tanks and other like equipment, means of refuse storage and disposal, and the space allocated to the thawing of frozen articles of food and to facilities for inspection and sampling of such food. Before granting a license, the Director of Food and Environmental Hygiene shall take into consideration: (i) licensing requirements such as access to public mains water, internal surfaces of walls of the food preparation room, aggregate food room area and facilities in the toilets of the food factory; (ii) building structure and means of escape; and (iii) fire safety.

Where a license is granted under the Food Business Regulation, the licensee shall keep exhibited such licence at a conspicuous place near the entrance of the premises of the food factory. A licensee is prohibited from carrying on or cause, permit or suffer to be carried on a food business other than that at or from the confines of the plan submitted to the Director of Food and Environmental Hygiene in its application.

Subject to the payment of the prescribed licence fee and continuous compliance with the requirements under the relevant legislation and regulations, a food factory licence is renewable annually.

Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong)

As a food ingredients supplier who carries on a food importation/distribution business, we are required to register with Director of Food and Environmental Hygiene as a food importer or food distributor before the commencement of food importation/distribution.

REGULATORY OVERVIEW

The Food Safety Ordinance requires any person who carries on a food importation or distribution business to register with the Director of Food and Environmental Hygiene, which allows the Director of Food and Environmental Hygiene to identify and contact registered food traders speedily in food-related incidents.

Under the Food Safety Ordinance, a person must not carry on a food importation or distribution business unless the person is registered as a food importer or distributor in respect of that business. A “food importer” means a person who carries on a business which brings or causes to be brought any food into Hong Kong by air, land or sea. A “food distribution business” is defined as a business whose principal activity is the supply of food in Hong Kong by wholesale.

An application for registration as a food importer or distributor requires the identification of the main food categories and food classifications of all food to be imported by the business (in the case of a food importer) and supplied by wholesale by the business (in the case of a food distributor). An application must also be accompanied by any documents or information reasonably required by the Director of Food and Environmental Hygiene for the purpose of considering the application.

Any person or business that, without reasonable excuse, contravenes such a requirement imposed under the Food Safety Ordinance commits an offence and is liable to a fine and/or imprisonment for up to 6 months. An application may be refused and/or registration may be revoked if the applicant has repeatedly contravened the Food Safety Ordinance in the period of 12 months immediately preceding the day on which the application was made or by the exercise of the Director of Food and Environmental Hygiene’s power to revoke a registration under the Food Safety Ordinance. The Director of Food and Environmental Hygiene is empowered to revoke a registration through the Demerit Point System established under the Food Safety Ordinance, which provides that if a registered food importer or distributor is convicted of any offence under the Food Safety Ordinance in respect of his business, a specified number of demerit points will be assigned and entered against his registration. Demerit points for a particular offence may be doubled, trebled or quadrupled respectively if the same offence is committed for the second, third or fourth time within a period of twelve months. If the registered food importer or distributor accumulates twenty points or more within a period of twelve months, its registration will be revoked.

Registration as a food importer/distributor may be granted for a period of three years, subject to payment of the prescribed registration fee and continuous compliance with the requirements under the relevant legislation and regulations, subject to renewal.

Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)

Our Quality Control Department is responsible for ensuring the safety and quality standards of our food ingredients are maintained from the procurement stage and throughout the processing stage in accordance with the Sale of Goods Ordinance.

REGULATORY OVERVIEW

The Sale of Goods Ordinance governs, among other things, the scope of certain implied terms or conditions and warranties generally relating to the safety and suitability of goods supplied under a contract for the sale of goods in Hong Kong. Warranties relating to the safety and suitability of goods supplied include that goods for sale must be of merchantable quality and as such are, among other things, free from defects, safe and durable.

The Sale of Goods Ordinance applies only to sellers of goods in Hong Kong. A breach of warranty by the seller under the Sale of Goods Ordinance may entitle the buyer to reject the goods, set up against the seller a diminution or extinction of the price or maintain an action against the seller for damages.

Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong)

Our Group primarily supplies food ingredients, which are consumer goods that are subject to the Consumer Goods Safety Ordinance – that is, goods which are ordinarily supplied for private use or consumption. The Consumer Goods Safety Ordinance imposes a statutory duty on manufacturers, importers and suppliers of consumer goods to ensure that any consumer good supplied complies with the general safety requirement or, where an approved standard(s) applies to the consumer good, the proved safety standard(s) or specifications prescribed by the Secretary for Commerce and Economic Development of Hong Kong.

Under the Consumer Goods Safety Ordinance, a person or business must not manufacture, import or supply a consumer good in Hong Kong unless the consumer good is reasonably safe having regard to all the circumstances (the “general safety requirement of consumer goods”) and complies with all requirements of the approved safety standard(s) or specifications established by regulation applicable to the consumer good.

The Commissioner of Customs and Excise is empowered to serve prohibition notices prohibiting the person or business supplying consumer goods from supplying those goods for a specified period not exceeding six months, and serve recall notices requiring the immediate withdrawal of any consumer goods or products which may cause serious injury and do not comply with an approved standard or safety standard or specification established by regulation or are believed to be unsafe contrary to the general safety requirement of consumer goods.

Any person or business who or which violates the general safety requirement or applicable approved standards commits an offence under the Consumer Goods Safety Ordinance and may be subject to a fine and/or imprisonment.

Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong)

As we process and supply food ingredients to our customers, our operations are subject to the Public Health and Municipal Services Ordinance and the subsidiary legislations made thereunder. Pursuant to the Public Health and Municipal Services Ordinance, no person or business shall add any substance to any food, use any substance as an ingredient in the

REGULATORY OVERVIEW

preparation of any food, abstract any constituent from any food, or subject any food to any other process or treatment so as to render the food injurious to health. No person or business shall sell any such food for human consumption.

Under Section 62(1) of the Public Health and Municipal Services Ordinance, the Food and Environmental Hygiene Department is empowered to collect food samples at point of entry into Hong Kong for analyses, including bacteriological and chemical examination. The Food and Environmental Hygiene Department will pay the market price of any samples of vegetables and fruits taken from importers for testing for pesticide residues, to ensure that products in the markets are safe and fit for human consumption. Our suppliers, who also act as the importers of our food ingredients, are subject to such analyses.

The Pesticide Residues in Food Regulation (Chapter 132CM of the Laws of Hong Kong), a subsidiary legislation under the Public Health and Municipal Services Ordinance, contains provisions for the maximum amount of pesticide residues permitted to be contained in food. Any person who imports, consigns, delivers, manufactures or sells for human consumption a food which contains pesticide residues in contravention of those provisions commits an offence and is liable to a fine of HK\$50,000 and to imprisonment for six months.

Our packaged food ingredients are also subject to the Food and Drugs (Composition and Labelling) Regulations (Chapter 132W of the Laws of Hong Kong), a subsidiary legislation under the Public Health and Municipal Services Ordinance, which prescribes for certain requirements of marking and labelling of prepackaged food, such as the proper marking or labelling of the name of the food ingredient, the name and address of its manufacturer and its weight or volume. Contravention of those requirements may result in a conviction carrying a maximum penalty of HK\$50,000 and six months' imprisonment.

Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)

Our food processing operations are subject to the Factories and Industrial Undertakings Ordinance, which provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor (including person for the time being having the management or control of the business carried on in such industrial undertaking and also the occupier of any industrial undertaking) of an industrial undertaking to take care of, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;

REGULATORY OVERVIEW

- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy work environment.

A proprietor who contravenes these duties willfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for six months.

The Factories and Industrial Undertakings (Guarding and Operation of machinery) Regulations (Chapter 59Q of the Laws of Hong Kong), a subsidiary regulation under the Factories and Industrial Undertakings Ordinance, imposes a duty on a proprietor and his employees to comply with safety requirements related to operation of machinery. Contravention of those requirements is an offence with different levels of penalty up to a fine of HK\$50,000. We conduct regular maintenance on our machinery and equipment and provide proper training to our staff to ensure those requirements are complied with.

Occupier's Liability Ordinance (Chapter 314 of the Laws of Hong Kong)

Our Group has leased several properties and is considered to be the occupier of the said properties under the Occupier's Liability Ordinance. As such, we are required to comply with the Occupiers Liability Ordinance, which regulates the obligations of a person or business occupying or having control of the premises on which injury resulting to persons or damage has been caused to goods or other property lawfully on the premises.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

Our workers are exposed to injuries whilst processing, packaging and/or delivering food ingredients. Our management team is responsible for providing safety and health protection to employees in workplaces, both industrial and non-industrial in accordance with the Occupational Safety and Health Ordinance.

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;

REGULATORY OVERVIEW

- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy work environment.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

The Commissioner for Labour may also issue improvement notices against noncompliance of this Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to twelve months.

HISTORY, DEVELOPMENT AND REORGANISATION

ORIGIN AND HISTORY

Since 1993, Mr. Liu has engaged himself in the vegetables wholesaling business under the trade name of C.Y. Trading Company, Mr. Liu later set up CY Food Trading Limited in May 1998 and C.Y. Food Trading Company Limited in November 2004 to further develop his vegetables wholesaling trading business.

In September 2005, with a view to distinguish his business from businesses bearing similar names in the PRC and develop food sourcing business in addition to his vegetables wholesaling business, Mr. Liu established our principal operating subsidiary, C.Y. Food, with his personal savings, and redirected all of his relevant business into it. C.Y. Food processes food and supplies vegetables, fruits and other food ingredients. While our Group has been principally engaged in wholesale of vegetables since incorporation in 2005, we have started to expand into vegetables processing operations upon relocation of our headquarter to our processing base in Shatin and obtaining our food factory licence in April 2012. Since then, with the gradual expansion of our Group's own processing capacities and the increasing demand of vegetables and fruits supply from customers, our Group has recorded a substantial increase in revenue, and we are able to capture an extra layer of profit margin and increase our bargaining power over the suppliers to obtain purchase discounts and terms. Under the leadership and effort of Mr. Liu and other members of the management, our Group has developed into a scaled food ingredients supplier, that we supply food ingredients to over 700 customer outlets in Hong Kong during the Track Record Period.

IMPORTANT BUSINESS MILESTONES

The following illustrates certain key milestone and achievements in the business development of our Group:

Year	Event
2005	C.Y. Food was established and taken up all of Mr. Liu's previous business as a vegetables wholesaler
2009	C.Y. Food commenced its fruit wholesaling business
2011	C.Y. Food relocated its headquarters to its current address to cope with the business development
2012	C.Y. Food was granted its food factory licence by the Food and Environmental Hygiene Department, and launched its food-processing operations by expanding its processing manpower and facilities
2012	C.Y. Food was accredited with HACCP
2012	C.Y. Food was accredited with ISO 22000:2005

HISTORY, DEVELOPMENT AND REORGANISATION

OUR GROUP

Our Group has one direct subsidiary, Eminent Ace, and three indirect subsidiaries, namely Lion Metro, C.Y. Food and Healthy Cheer. Details of the members of our Group and their respective corporate history are set out below.

OUR COMPANY

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 6 April 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On 6 April 2016, one nil-paid Share, representing the entire issued share capital of our Company at the relevant time, was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was subsequently transferred to Classic Line on the same day.

As part of the Reorganisation, 9,999 nil-paid Shares were allotted and issued to Classic Line on 13 May 2016, in consideration for the acquisition of the entire issued share capital of C.Y. Food by Eminent Ace from Mr. Liu. On 16 May 2016, Classic Line transferred the entire issued share capital of Eminent Ace to our Company, in consideration of which our Company credited the 10,000 nil-paid Shares held by Classic Line as fully-paid. On 18 May 2016, Classic Line transferred 1,500, 600 and 400 Shares to Good Vision, Golden Bliss and Power Shield at the consideration of HK\$11,862,000, HK\$4,745,000 and HK\$3,163,000, respectively. Immediately following the above transactions, the shareholding structure of our Company was as follows:

Name of shareholders	Number of Shares	Shareholding %
Classic Line	7,500	75%
Good Vision	1,500	15%
Golden Bliss	600	6%
Power Shield	400	4%
Total	<u>10,000</u>	<u>100%</u>

Immediately after completion of the Reorganisation and before completion of the Placing, our Company became the holding company of our Group with its business being conducted through the principal operating subsidiary of our Group, namely C.Y. Food.

OUR SUBSIDIARIES

Eminent Ace

Eminent Ace was incorporated in the BVI with limited liability on 10 March 2016, and is authorised to issue a maximum of 50,000 shares of US\$1 each. On 10 March 2016, one fully-paid share of Eminent Ace, representing its entire issued share capital at the relevant time, was allotted and issued to Classic Line.

HISTORY, DEVELOPMENT AND REORGANISATION

As part of the Reorganisation, on 16 May 2016, Classic Line transferred the entire issued share capital of Eminent Ace to our Company, in consideration of which our Company credited the 10,000 nil-paid Shares held by Classic Line as fully-paid. On 22 June 2016, Mr. Liu transferred the entire issued share capital of Healthy Cheer to Lion Metro, in consideration of which Eminent Ace allotted and issued 99 fully-paid shares to our Company.

Eminent Ace is an investment holding company and had no substantive business activities as at the Latest Practicable Date.

C.Y. Food

C.Y. Food was incorporated in Hong Kong with limited liability on 6 September 2005 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On 6 September 2005, one fully-paid share of C.Y. Food, representing its entire issued share capital at the relevant time, was allotted and issued to Mr. Liu.

As part of the Reorganisation, on 13 May 2016, Mr. Liu transferred the entire issued share capital of C.Y. Food to Eminent Ace, in consideration of which our Company issued and allotted 9,999 nil-paid Shares to Classic Line.

C.Y. Food commenced business in September 2005 and principally processes food and supplies vegetables, fruits and other food ingredients.

Healthy Cheer

Healthy Cheer was incorporated in Hong Kong with limited liability on 11 March 2009 with an authorised share capital of HK\$100,000 divided into 100,000 shares of HK\$1.00 each.

On 11 March 2009, one fully-paid share of Healthy Cheer, representing its entire issued share capital at the relevant time, was allotted and issued to the initial subscriber and was subsequently transferred to Ms. Liu Shek Chun (who held the share as nominee on trust for Mr. Liu) on 9 July 2009. On 9 July 2009, one share was further allotted and issued to Mr. Chan Kam Cheong (who held the share as nominee on trust for Mr. Liu). On 1 September 2015, 99,998 shares were further allotted and issued to Mr. Liu. On 22 June 2016, Ms. Liu Shek Chun and Mr. Chan Kam Cheong transferred the legal interest of one and one share in Healthy Cheer to Mr. Liu at nil consideration. Mr. Liu has been the beneficial owner of the entire issued share capital of Healthy Cheer since 9 July 2009.

As part of the Reorganisation, on 22 June 2016, Lion Metro acquired the entire issued share capital of Healthy Cheer from Mr. Liu in consideration of which Eminent Ace allotted and issued 99 fully-paid shares to our Company.

Healthy Cheer is an investment holding company and had no substantive business activities as at the Latest Practicable Date.

HISTORY, DEVELOPMENT AND REORGANISATION

Lion Metro

Lion Metro was incorporated in the BVI with limited liability on 25 May 2016, and is authorised to issue a maximum of 50,000 shares of US\$1 each. On 1 June 2016, 100 fully-paid shares of Lion Metro, representing its entire issued share capital at the relevant time, were allotted and issued to Eminent Ace.

Lion Metro is an investment holding company and had no substantive business activities as at the Latest Practicable Date.

REORGANISATION

1. Incorporation of Eminent Ace

On 10 March 2016, Eminent Ace was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares of US\$1 each. On 10 March 2016, one fully-paid share of Eminent Ace, representing its entire issued share capital at the relevant time, was allotted and issued to Classic Line.

2. Incorporation of our Company

On 6 April 2016, our Company was incorporated in the Cayman Islands with limited liability and with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On 6 April 2016, one nil-paid Share, representing the entire issued share capital of our Company at the relevant time, was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was subsequently transferred to Classic Line on the same day.

3. Acquisition of C.Y. Food

On 13 May 2016, Eminent Ace acquired the entire issued share capital of C.Y. Food from Mr. Liu, in consideration of which our Company issued and allotted 9,999 nil-paid Shares to Classic Line. The said consideration was settled on 13 May 2016.

Following the completion of the aforesaid share transfer, C.Y. Food became a direct wholly-owned subsidiary of Eminent Ace.

4. Acquisition of Eminent Ace

On 16 May 2016, our Company acquired the entire issued share capital of Eminent Ace, in consideration of which our Company credited the 10,000 nil-paid Shares held by Classic Line as fully paid. The said consideration was settled on 16 May 2016.

After the aforesaid transactions, our Company became the holding company of Eminent Ace and C.Y. Food.

HISTORY, DEVELOPMENT AND REORGANISATION

5. Acquisition of 15%, 6% and 4% of the issued share capital of our Company by Good Vision, Golden Bliss and Power Shield, respectively (“Pre-IPO Investments”)

On 18 May 2016, Classic Line, as vendor, and Good Vision, as a purchaser, entered into a sale and purchase agreement (the “**Pre-IPO Investment Agreement 1**”), pursuant to which Good Vision agreed to acquire 1,500 Shares, representing 15% of the issued share capital of our Company at the relevant time, from Classic Line at a consideration of HK\$11,862,000.

On 18 May 2016, Classic Line, as vendor, and Golden Bliss, as a purchaser, entered into a sale and purchase agreement (the “**Pre-IPO Investment Agreement 2**”), pursuant to which Golden Bliss agreed to acquire 600 Shares, representing 6% of the issued share capital of our Company at the relevant time, from Classic Line at a consideration of HK\$4,745,000.

On 18 May 2016, Classic Line, as vendor, and Power Shield, as a purchaser, entered into a sale and purchase agreement (the “**Pre-IPO Investment Agreement 3**”), pursuant to which Power Shield agreed to acquire 400 Shares, representing 4% of the issued share capital of our Company at the relevant time, from Classic Line at a consideration of HK\$3,163,000.

Details of the Pre-IPO Investments are summarised below:

Pre-IPO Investment Agreement 1

Name of investor	:	Good Vision
Date of the Pre-IPO Investment Agreement 1	:	18 May 2016
Amount of consideration paid	:	HK\$11,862,000
Date of payment of the consideration	:	18 May 2016
Effective cost per Share paid ^(note 1)	:	Approximately HK\$0.082
Percentage of shareholding upon Listing ^(note 2)	:	144,000,000 Shares, representing 11.25% of the issued share capital of our Company upon Listing

HISTORY, DEVELOPMENT AND REORGANISATION

Pre-IPO Investment Agreement 2

Name of investor	:	Golden Bliss
Date of the Pre-IPO Investment Agreement 2	:	18 May 2016
Amount of consideration paid	:	HK\$4,745,000
Date of payment of the consideration	:	18 May 2016
Effective cost per Share paid ^(note 1)	:	Approximately HK\$0.082
Percentage of shareholding upon Listing ^(note 2)	:	57,600,000 Shares, representing 4.5% of the issued share capital of our Company upon Listing

Pre-IPO Investment Agreement 3

Name of investor	:	Power Shield
Date of the Pre-IPO Investment Agreement 3	:	18 May 2016
Amount of consideration paid	:	HK\$3,163,000
Date of payment of the consideration	:	18 May 2016
Effective cost per Share paid ^(note 1)	:	Approximately HK\$0.082
Percentage of shareholding upon Listing ^(note 2)	:	38,400,000 Shares, representing 3% of the issued share capital of our Company upon Listing

Notes:

1. For illustration purposes only. Based on the indicative Placing Price range, representing a discount of approximately 63.4% to HK\$0.225 per Share, being the lower end of the stated Placing Price range, and a discount of approximately 67.1% to HK\$0.25 per Share, being the upper end of the stated Placing Price range.
2. Assuming completion of the Placing and without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme.
3. Good Vision, Golden Bliss and Power Shield are Independent Third Parties to the Company prior to the Pre-IPO Investment and to each other.

The said considerations were arrived at after arm's length negotiations between the parties with reference to the average price-to-earnings ratio before listing expenses of our Company for the Track Record Period of approximately 9.5 and the prospect of our Group. The aforesaid transactions were completed on 18 May 2016. Our Directors are of the view that the Pre-IPO Investments were entered into on normal commercial terms. As the pre-IPO investors acquired their respective Shares from Classic Line, rather than from the allotment of new Shares of our Company, all of the proceeds from pre-IPO investment was attributable to Classic Line and there is no new proceeds to our Group.

HISTORY, DEVELOPMENT AND REORGANISATION

Good Vision is a limited company incorporated in the Seychelles on 4 May 2016 and its entire issued share capital is owned by Tang Palace. The principal business activity of Good Vision is investment holding. The holding company of Tang Palace, Tang Palace (China) (Stock Code: 1181), a company listed on the Main Board of the Stock Exchange, principally operates restaurants in the PRC and Hong Kong and was a customer of the Group during the Track Record Period. Ms. Weng Peihe, the chief executive officer of Tang Palace (China), has known Mr. Liu, our Controlling Shareholder, for over three years in a social occasion. Upon introduction of the potential listing of our Group to Ms. Weng Peihe by Mr. Liu, Tang Palace (China) expressed interests in investing in our Group. In order to make a sound investment decision, Tang Palace (China) has undertaken certain due diligence work, including discussion with our Directors and senior management, studying our processing stage, products and sources of our food ingredients, license, our historical financial performance and market conditions of the industry. After such due diligence and review, Tang Palace (China) considered that our Group has good management and good industry prospect.

Golden Bliss is a limited company incorporated in the Seychelles on 4 May 2016 and its entire issued share capital is owned by Ms. Liu. The principal business activity of Golden Bliss is investment holding. Ms. Liu is the deputy sales director of the industrial/office department of a leading real estate agency in Hong Kong. Ms. Liu has known Mr. Liu, our Controlling Shareholder, for over ten years in a business occasion. Upon introduction of the potential listing of our Group to Ms. Liu by Mr. Liu, Ms. Liu expressed interests in investing in our Group. After several due diligence work was conducted, Ms. Liu is confident in our future prospect.

Power Shield is a limited company incorporated in the Seychelles on 4 May 2016 and its entire issued share capital is owned by Mr. Lee. The principal business activity of Power Shield is investment holding. Mr. Lee is a restaurant operator in Hong Kong. Mr. Lee has known Mr. Liu, our Controlling Shareholder, for over three years in a business occasion. Upon introduction of the potential listing of our Group to Mr. Lee by Mr. Liu, Mr. Lee expressed interests in investing in our Group. After several due diligence work was conducted, Mr. Lee is confident in our future prospect.

As advised by Tang Palace Group, Ms. Liu and Mr. Lee, they invested in our Group due to their confidence in the business prospects of the food sourcing and processing industry in Hong Kong and in the management and potentials of our Group. Our Directors believe that the Pre-IPO Investments would strengthen the shareholder base of our Group and enhance the corporate governance practice and business network of our Group. Our Company considers that by introducing Good Vision, Golden Bliss and Power Shield as additional shareholders, our Group would benefit from the insight and management experience of Tang Palace (China), Ms. Liu and Mr. Lee. A more diversified shareholding structure of our Group is expected to promote accountability of the management to shareholders, thereby facilitate and strengthen internal control.

Save as aforesaid, each of Tang Palace Group, Ms. Liu, Mr. Lee, Good Vision, Golden Bliss and Power Shield is not connected (as defined in the GEM Listing Rules) with our Group or any of its connected persons (including the Controlling Shareholders).

HISTORY, DEVELOPMENT AND REORGANISATION

As a result of the completion of the Pre-IPO Investments, the shareholding structure of our Company was as follows:

Name of shareholders	Number of Shares	Shareholding %
Classic Line	7,500	75%
Good Vision	1,500	15%
Golden Bliss	600	6%
Power Shield	400	4%
Total	<u>10,000</u>	<u>100%</u>

Upon Listing, Good Vision, Golden Bliss and Power Shield would be interested in 11.25%, 4.5% and 3% of the issued share capital of our Company, respectively. Considering that Good Vision will become a substantial Shareholder upon Listing, its shareholding in our Company will not be counted as part of the “public float” for the purpose of Rule 11.23 of the GEM Listing Rules.

Good Vision, Golden Bliss, Power Shield, Tang Palace Group, Ms. Liu and Mr. Lee are not involved in the management and daily operations of our Group.

Pursuant to the Pre-IPO Investment Agreements, Good Vision, Golden Bliss and Power Shield do not enjoy any special right in connection with the Pre-IPO Investments.

The Sole Sponsor is of the view that the Pre-IPO Investments is in compliance with the Guidance Letters HKEx-GL29-12, HKEx-GL43-12 and HKEx-GL44-12 in respect of guidance on pre-IPO investments issued by the Stock Exchange, as the Pre-IPO Investments has been completed at least 28 clear days before the date of our Company’s first submission of the listing application.

6. Incorporation of Lion Metro

On 25 May 2016, Lion Metro was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares of US\$1.00 each. 100 fully paid ordinary shares of Lion Metro, representing the entire issued share capital of Lion Metro, were allotted and issued at par to Eminent Ace on 1 June 2016.

7. Acquisition of Healthy Cheer

On 22 June 2016, Lion Metro acquired an aggregate of 100,000 shares in Healthy Cheer (representing the entire issued share capital of Healthy Cheer) from Mr. Liu in consideration of which Eminent Ace allotted and issued 99 fully-paid shares in Eminent Ace to our Company.

Following the completion of the aforesaid share transfer, Healthy Cheer became a direct wholly-owned subsidiary of Lion Metro and an indirect wholly-owned subsidiary of our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

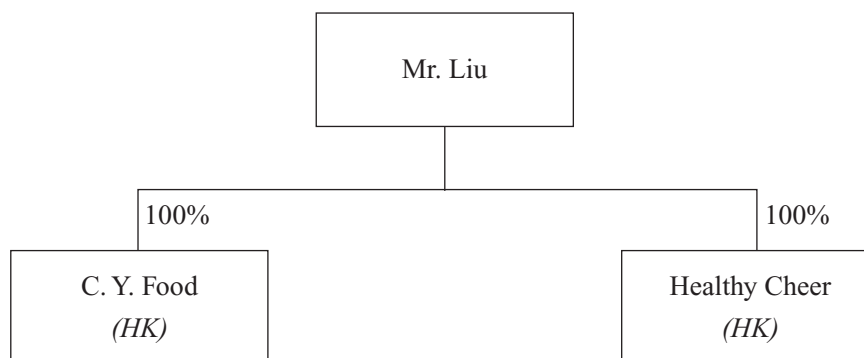
8. Capitalisation Issue and Placing

On 26 September 2016, our Company resolved to increase its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each in order to be positioned to (i) allot and issue 320,000,000 new Shares to the Placing; and (ii) allot and issue a further 959,990,000 new Shares to the existing shareholders of our Company, being 719,992,500, 143,998,500, 57,599,400 and 38,399,600 new Shares to Classic Line, Good Vision, Golden Bliss and Power Shield, respectively.

Our Company will offer 320,000,000 Placing Shares under the Placing comprising 320,000,000 new Shares for subscription by professional, institutional and other investors, representing a total of 25% of the enlarged issued share capital of our Company upon Listing.

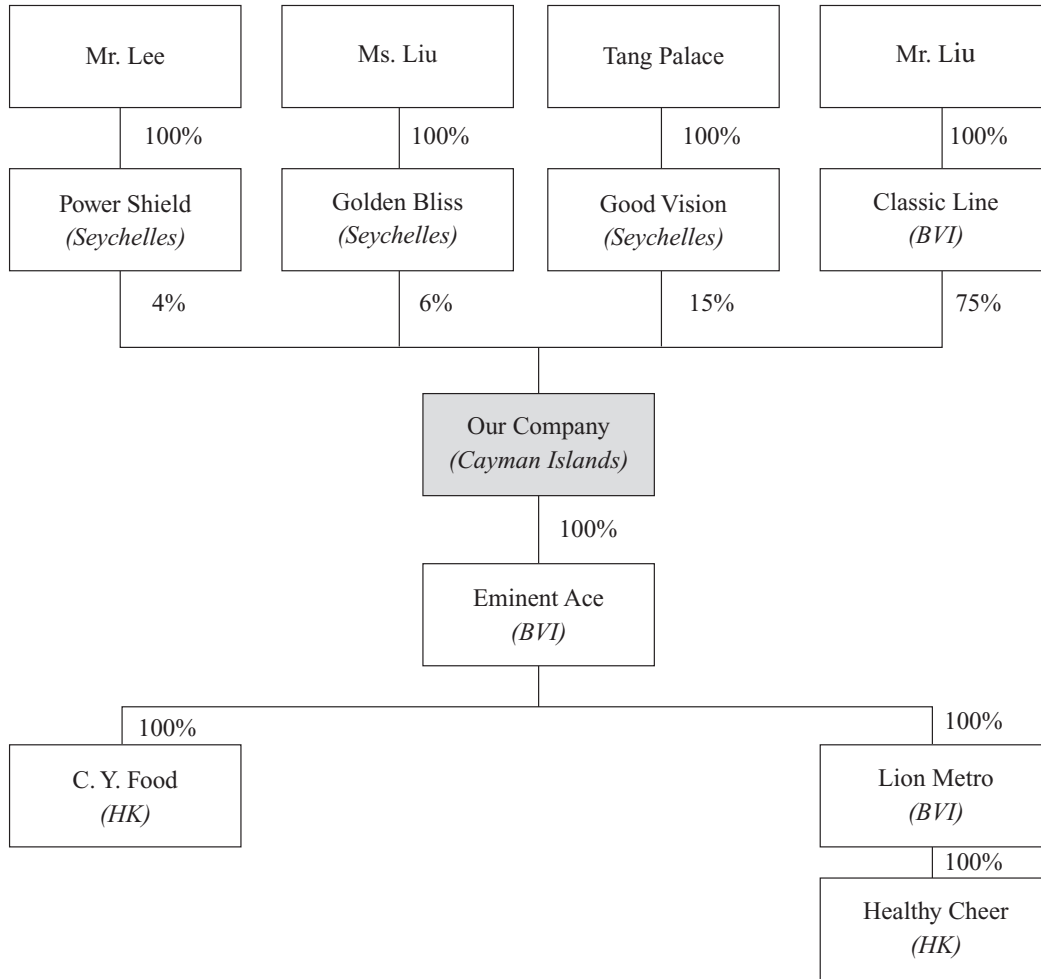
THE CORPORATE STRUCTURE OF OUR GROUP

Set out below is the corporate structure of our Group immediately before the Reorganisation:



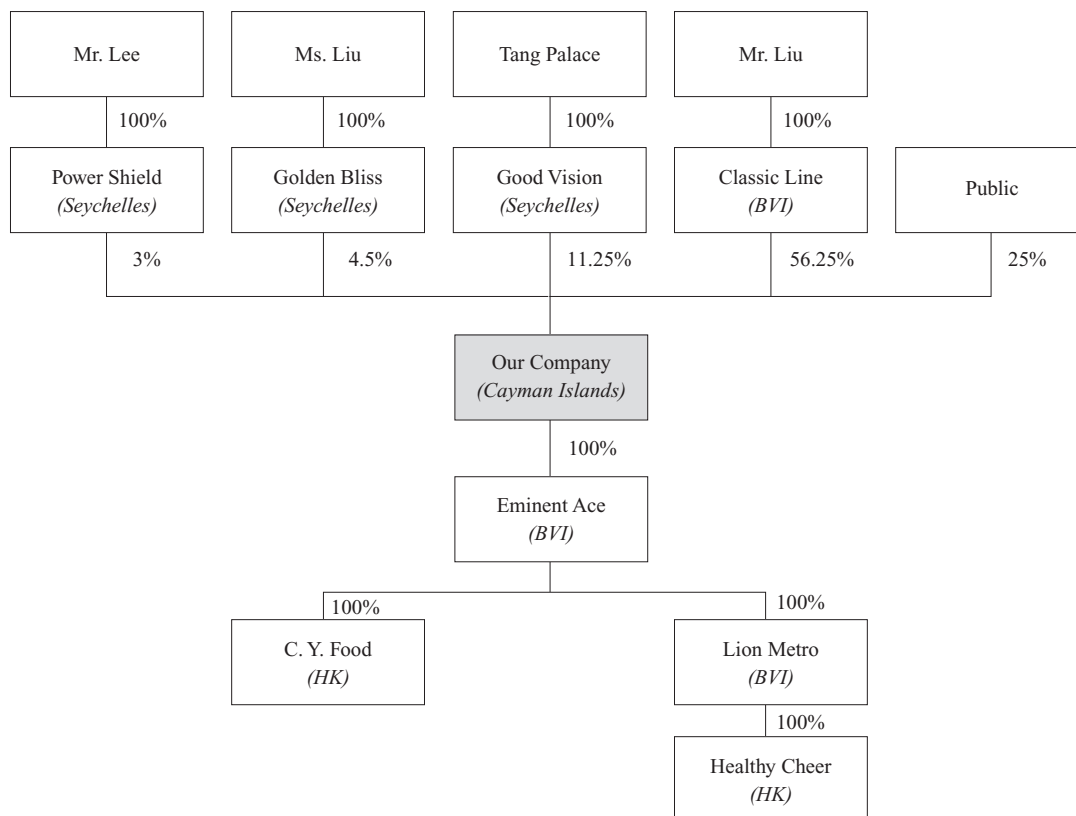
HISTORY, DEVELOPMENT AND REORGANISATION

After completion of the Reorganisation, our Company became the holding company of our Group. The following diagram sets out the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Placing:



HISTORY, DEVELOPMENT AND REORGANISATION

The following diagram sets out the corporate structure of our Group immediately after completion of the Placing (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme):



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OVERVIEW

We are a food ingredients supplier with a focus on the provision of vegetables and fruits to food service operators in Hong Kong. Founded in 2005, we have over 10 years of experience in conducting business of food processing and supply of vegetables, fruits and other food ingredients. Our customers approach us for processed food ingredients as it allows our customers to prepare dishes with reduced kitchen staff, thus saving them manpower and time needed in food preparation. We also provide fruits procurements, screening and sorting services to our customers. In addition, we also source groceries and specialty food ingredients for our customers upon their requests. During the Track Record Period, we supply food ingredients to over 700 customer outlets and we offer more than 1,300 types of food ingredients to our customers.

We conduct our operation and food processing procedures mainly at our factory located in Shatin, New Territories. Our factory has machines and equipment for food processing. In addition, we have four vehicles used for delivery and we also engage external third-party logistic service providers to ensure that we are able to deliver food ingredients timely to the locations designated by our customers.

During the Track Record Period, we have generated revenue of approximately HK\$152,286,000 and HK\$166,230,000 respectively, of which approximately HK\$126,843,000 and HK\$139,610,000, representing approximately 83.3% and 84.0% of our total revenue were generated from the provision of vegetables to our customers. Approximately HK\$25,443,000 and HK\$26,620,000, representing approximately 16.7% and 16.0% of our total revenue, were generated from sales of fruits and other food ingredients.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths allow us to achieve sustainable growth of our business:

We offer a wide variety of food ingredients to our customers

With over 10 years of experience in supplying and processing food ingredients to food service operators, we have built good relationships with our suppliers and we have the necessary equipment and techniques in processing food ingredients to meet our customers' specific needs. Therefore, we are able to offer more than 1,300 types of food ingredients to our customers, including those specialty food ingredients that are only available overseas as at the Latest Practicable Date. Our Directors believe that our ability to offer a wide range of food ingredients could minimise our customers' effort in procuring and processing the necessary food ingredients for their business operations, and that helps us to better position ourselves by attracting new customers and strengthening the loyalty of existing customers.

We have a well established network of suppliers

As at the Latest Practicable Date, we have over 100 suppliers, both local and overseas, from which we can source our food ingredients. In addition, we have maintained stable relationships with our major suppliers. For instance, four out of our top five suppliers for

BUSINESS

the year ended 31 March 2016 have cooperated with us for over seven years. In addition, we also have a strong network of suppliers from China with whom it enjoys a healthy working relationship. This wide upstream network comprises over 20 individual farms in China, allowing us to secure a stable supply of vegetables and fruits for our clients downstream. We also have a dedicated team of employees charged with sourcing high quality products from our supplier network for import into Hong Kong. Our Directors believe that our well established network of suppliers and our stable relationships with them enable us to efficiently procure the food ingredients according to our customers' need and allow us to provide stable services to our customers.

We have established and maintained a solid customer base

Our Group has established and maintained a solid customer base and during the Track Record Period, we supply food ingredients to over 700 customer outlets. Our customers include major catering groups and restaurant operators. Based on Euromonitor's market estimate for the highly fragmented vegetables and fruits supply services industry in Hong Kong, our Group occupied an estimated 5% of the market in 2015. Our Company's primary competitive advantage is our extensive network of clients in the food service industry, which has enabled us to sustain robust revenue growth in a mature and highly fragmented market. With our dedication to good quality and service, we have earned recognition and goodwill from our major customers and for the year ended 31 March 2016, we have established over seven years of business relationships with three out of our top five customers. Our Directors believe that our solid customer base and stable relationships with our major customers have contributed to the success of our Group with a solid recurrent income base.

We have strong and experienced management personnel

Our Group has an experienced management team, which possesses extensive operating experience and industry knowledge. For example, Mr. Liu, our Chairman and executive Director, has over 20 years of experience in the food trading and processing industry. Ms. Wu Hau Kam, our Director of Procurement, has over 18 years of experience in food ingredients procurement and Mr. Ho Shut Cheong, our Director of Operations, has extensive experience in operation and inventory management. Mr. Cheng Lam Piu, our Director of Quality Control, has more than 10 years of experience in quality control. For detailed information about the industry experience of our Directors and senior management, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus. Our Directors are of the view that the industry experience of our Directors and senior management gives us a distinctive competitive edge over our competitors as we are able to effectively manage and enhance our Group's reputation with a particular emphasis on the quality of food ingredients and services we provide.

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BUSINESS STRATEGIES

Increase transportation capacity by expanding our vehicle fleet

As many of our customers are catering services providers and restaurants operators who require us to deliver the food ingredients timely to their specified locations, an efficient logistics arrangement is very important to our operations. During the Track Record Period, we own four vehicles used for delivery and we also engaged 38 logistics service providers, who are Independent Third Parties, for the transportation and delivery of our products to our customers. To reduce the costs of operations and to increase the reliability of our services, there is a practical need to develop our own vehicle fleet by acquiring additional vehicles to assist in the transportation and delivery of our products.

Increase marketing efforts and enhance sales channels

We plan to strengthen our marketing efforts through online marketing and through an expanded sales team to develop more awareness of our Company and the products and services that we offer. We plan to visit our potential clients and to introduce our food processing services and the products which we can offer them. We also plan to enhance our sales channels such as by simplifying the product-ordering process of our food ingredients through the development of a mobile application ordering system, which will allow more convenience to our customers and result in us accessing a greater customer base. For example, our clients could obtain quotations for their purchase instantly from our mobile application ordering platform and could efficiently place their purchases through internet. We expect our efforts in marketing and establishing wider distribution channels will develop a stronger customer base, increase our sales, build customer loyalty and create referral opportunities.

Expand processing capacity and upgrade processing facilities

We aim to expand our processing capacity by acquiring new processing facilities and machinery for a more efficient operation. We also plan to upgrade and automate our existing processing facilities and machinery. We believe that such effort will increase the processing efficiency and lead to greater potential for the growth of our Group's existing operations.

Strengthen staff recruitment and training

We believe that the ultimate success of our Group stems from our ability to deliver our value to our customers, which is largely attributed to the talents and skills which our employees possess. We will continue to provide our employees with regular and continuous training relating to our operations and to improve their skills and efficiency which will translate into the success of our Group. In addition, our Directors believe that our Share Option Scheme, which our Company will adopt conditionally, will supplement our existing compensation plans and bonuses, which will attract and help retain suitable personnel for our Group.

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OUR BUSINESS MODEL

We generate our revenue by sourcing, processing and supplying food ingredients to food service operators in Hong Kong.

OUR PRODUCTS

The food ingredients we source and/or process are categorised into: (i) vegetables; (ii) fruits; and (iii) other food ingredients. Set out below are the products we offer:

Vegetables

We offer a wide range of vegetables including (a) leafy vegetables; (b) melon and fruit type vegetables; (c) root and rhizome type vegetables; and (d) herbs, spices, mushrooms and others. We also offer a wide range of food processing procedures on the vegetables. Set out below are examples of specifications our customers may give:

Food ingredient	Place of origin	Technical specifications	Processing
Choy sum	Hong Kong or the PRC	Bright green in colour, firm stalk and leaves, stems should not be dry	Remove budding flowers and pack 4 into one bunch
Kale	Hong Kong or the PRC	Bright green in colour, firm stalk and leaves, stems should not be dry	Remove 1.5 cm off stem and slice into 5 cm pieces at a diagonal
Eggplants	Hong Kong or the PRC	Bright purple-coloured body, pale purple or white, firm or hard to the touch, should not be shrivelled or have soft spots	Peel, dice and separate into 30 grams per portion
Carrots	Hong Kong or the PRC	Medium- to small-sized root, smooth exterior, good orange colour	Peel and slice into 6cm long by 2 cm wide matchsticks



Vegetables

BUSINESS

Fruits

We offer a wide range of fruits to our customers. Our customers may require us to source seasonal fruits from local farms or overseas countries such as Japan and Australia, and they may set specifications on the appearance, sweetness and the duration that the fruits can last.



Fruits

Other food ingredients

As an additional service to our customers ordering vegetables or fruits from us, we also help our customers to source food ingredients other than vegetables and fruits, such as eggs, flour products, dried foods, packaged foods and other groceries.



Other food ingredients

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The table below sets out our sales by product category for the periods as indicated:

Product type	Year ended 31 March 2015		Year ended 31 March 2016	
	HK\$'000	%	HK\$'000	%
Vegetables	126,843	83.3	139,610	84.0
Fruits	19,509	12.8	20,315	12.2
Other food ingredients (<i>note</i>)	5,934	3.9	6,305	3.8
Total	152,286	100.0	166,230	100.0

Note: Other food ingredients comprise eggs, flour products, dried foods, packaged foods and other groceries.

OUR CUSTOMERS

During the Track Record Period, we have provided food ingredients to over 700 customer outlets in Hong Kong. Our customers include major food service operators and chain restaurant groups.

The table below sets out the revenue from our Group's top five customers for each of the years ended 31 March 2015 and 2016:

For the year ended 31 March 2015

Rank	Customer	Approximate years of relationship with our Group	Typical credit term offered to our customers	Payment method	Revenue HK\$'000	As a percentage of total revenue %
1	King Parrot Group ^(note 1)	6	30 days	Cheque	19,038	12.5
2	Customer B ^(note 2)	6	50 days	Electronic funds transfer	13,872	9.1
3	Hon Po Group ^(note 3)	6	30-40 days	Cheque	9,646	6.3
4	Lucky House Group ^(note 4)	2	30-45 days	Cheque	8,453	5.6
5	Customer E ^(note 5)	5	45 days	Cheque	7,846	5.2
	Total				58,855	38.7

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For the year ended 31 March 2016

Rank	Customer	Approximate years of relationship with our Group	Typical credit term offered to our customers	Payment method	Revenue <i>HK\$'000</i>	As a percentage of total revenue %
1	King Parrot Group	7	30 days	Cheque	20,768	12.5
2	Customer B	7	50 days	Electronic funds transfer	16,808	10.1
3	Lucky House Group	3	30-45 days	Cheque	10,139	6.1
4	Customer F ^(note 6)	4	30 days	Electronic funds transfer	9,432	5.7
5	Hon Po Group	7	30-40 days	Cheque	9,320	5.6
	Total				66,467	40.0

Notes:

1. King Parrot Group manages over 30 restaurants and operates over 20 food and beverage brands in Hong Kong.
2. Customer B provides catering services to a large network of offices, government departments, schools, hospitals and factories.
3. Hon Po Group specialises in serving Chinese cuisine, with a focus on dim sum. It operates over 10 restaurants in Hong Kong.
4. Lucky House Group manages around 30 restaurants serving Chinese and Japanese cuisines in Hong Kong.
5. Customer E manages over 60 restaurants and around 20 food and beverage brands spanning a wide range of international cuisines in Hong Kong.
6. Customer F is one of the largest food and beverage chain restaurant groups in Hong Kong, operating over 80 restaurants with 8 food and beverage brands.

The revenue of our Group for the two years ended 31 March 2015 and 2016 amounted to approximately HK\$152,286,000 and HK\$166,230,000, respectively and our Group offered products to approximately 708 and 724 customer outlets, respectively. The five largest customers of our Group in aggregate accounted for approximately 38.7% and 40.0% of our total revenue, respectively and our largest customer accounted for approximately 12.5% and 12.5% of our total revenue, respectively. All of our five largest customers during the Track Record Period have continuous business relationship with us since they have started purchasing from us. During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any material cancellation of orders by our customers.

To the best knowledge of our Directors, having made all reasonable enquiries, except (i) China Land; (ii) Tang Palace Group; and (iii) Winning Tender Limited, a company in which Mr. Liu has a beneficial interest, all of the customers for each of the years ended 31 March 2015 and 2016 are Independent Third Parties and none of them are suppliers of our Group. To the best of our Directors' knowledge, none of our Directors, their respective close

BUSINESS

associates or Shareholders who own more than 5% of the issued share capital of our Company as at the Latest Practicable Date had any interest in any of the top five customers of our Group during the Track Record Period.

China Land

China Land is a company principally engaging in operating a restaurant in Hong Kong owned as to 30% by Mr. Liu, our Chairman, executive Director and Controlling Shareholder, and is a connected person of our Company under the GEM Listing Rules. During the Track Record Period, China Land has been a customer of our Group. For the two years ended 31 March 2015 and 2016, the total historical amount paid by China Land to our Group amounted to approximately HK\$665,000 and HK\$691,000 respectively, representing approximately 0.4% and 0.4% of our Group's total sales for the corresponding year, respectively.

Winning Tender Limited

Winning Tender Limited is a company principally engaging in operating a restaurant in Hong Kong owned as to 9.5% by Mr. Liu, our Chairman, executive Director and Controlling Shareholder. Winning Tender Limited is not a connected person of our Company under the GEM Listing Rules, but a related party to our Group as disclosed in the Accountant's Report set out in Appendix I to this Prospectus. During the Track Record Period, Winning Tender Limited has been a customer of our Group. For the two years ended 31 March 2015 and 2016, the total historical amount paid by Winning Tender Limited to our Group amounted to approximately HK\$687,000 and HK\$641,000 respectively, representing approximately 0.5% and 0.4% of our Group's total sales for the corresponding year, respectively.

Tang Palace Group

Tang Palace (China) is the holding company of Tang Palace, a Substantial Shareholder, and therefore Tang Palace Group is a connected person of our Company under the GEM Listing Rules. Tang Palace Group principally operates restaurants in the PRC and Hong Kong. During the Track Record Period, Tang Palace Group has been a customer of our Group. For the two years ended 31 March 2015 and 2016, the total historical amount paid by Tang Palace Group to our Group amounted to nil and approximately HK\$5,700, respectively, representing nil and approximately 0.0% of our Group's total sales for the corresponding year, respectively.

Our Directors are of the view that the abovementioned transactions were conducted on normal commercial terms and our terms were not less favourable than the terms available from/to Independent Third Parties and our Directors consider fair and reasonable and in the interest of our Shareholders and our Group as a whole. For details of our transactions with our connected persons, please refer to the section headed "Connected Transactions" in this prospectus.

BUSINESS

SALES, MARKETING AND CUSTOMER SERVICES

Sales and marketing

The marketing activities of our Group that promote our provision and processing of food ingredients are mainly conducted by our Sales and Customer Service Department. As at the Latest Practicable Date, our Sales and Customer Service Department which consists of 19 staff is headed by Ms. Wu. The Sales and Customer Service Department markets our products and services by visiting potential clients and providing after-sales consultations to our customers. In addition, our Sales and Customer Service Department receives orders from our customers.

During the Track Record Period, we also engaged five and three independent marketing companies or sales representatives to whom we outsource a portion of our sales and marketing activities, respectively. Generally, our Group enters into a marketing agreement with each of these marketing companies and pays them monthly in arrears. For external sales representatives, they are usually paid when successful customer referrals are made and sales are generated monthly in arrears. Set out below are the material terms of the marketing agreement entered between us and these marketing companies:

Duration of agreement

- one year;

Sales region

- Hong Kong;

Basis of commission

- payable monthly in arrears amounted to a percentage of the corresponding referred sales;

Payment terms and credit period

- a credit period of 30 days upon the receipt of payments from the corresponding referred sales to us.

During the Track Record Period, one and two of our top five customers, namely Lucky House Group, and Lucky House Group and Customer F respectively, were ordered through these marketing companies or sales representatives. For the two years ended 31 March 2015 and 2016, approximately HK\$31,553,000 and HK\$31,743,000 in our sales were ordered through these marketing companies or sales representatives, and approximately HK\$1,366,000 and HK\$1,278,000 commission expenses were incurred for the services provided by the independent marketing companies and sales representatives, respectively.

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To the best knowledge of our Directors, having made all reasonable enquiries, none of these marketing companies and sales representatives have any relationships with the relevant customers and no any form of kick back was provided to such marketing companies and sales representatives.

Apart from sales and marketing, our Sales and Customer Service Department is also responsible for providing after-sales services to our customers. Its duties include: (i) gathering feedback from customers about our products and services to ensure the quality of our food ingredients and continuous improvement of our operations; (ii) handling queries from existing and potential customers about our products and services to ensure that we are able to capture potential business opportunities; (iii) collecting market information to ensure development and growth of our business in response to market and/or industry trends; and (iv) providing assistance to customers in their claims to ensure maximum customer satisfaction. We have set up a 24-hour customer service hotline through which our customers may correspond with us to provide feedback, make queries and lodge complaints.

Major terms in the sales agreements with our customers

We do not enter into long-term agreements with our customers. The sales contracts we enter into with our customers generally contain the following terms:

Our responsibilities:

- conformity with customer's requirements (namely, technical specifications, quality requirements and processing needs);
- complete inspection of products according to customer requirements before final delivery.

Price of goods:

- based on valid quoted prices;
- to be specified in individual sales orders.

Delivery terms:

- delivery shall be made to such destinations and at such dates as required by our customer.

Settlement method and credit period:

- payment shall be settled via electronic funds transfer or cheque;
- a credit period of 0-90 days generally.

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Packaging:

- place of origin, item details and applicable food labelling must be shown on the packaging of each finished product.

Other terms:

- any price changes, extension of time for delivery or other changes shall be agreed in advance and be legally binding on the customer unless evidenced by the sales contract.

Terms of payment and credit policy

We generally grant our customers a credit period of 0 to 90 days and we mainly accept payments of our customers by way of electronic funds transfer or cheque. Our management closely monitors the credit exposure and repayment conditions of our customers. We will make specific provisions if our management believes that any customer is or is likely to be in financial distress and is unable to settle its long outstanding trade amount. For more information, please see the section headed “Financial Information – Analysis of selected combined statement of financial position items – Trade receivables” in this prospectus.

We have made provision of approximately HK\$59,000 and HK\$6,000 for impairment of trade receivables for the two years ended 31 March 2015 and 2016, respectively.

Product return policy

We accept returns or exchanges for any defective food ingredient or any food ingredient that was damaged during transportation and delivery, after examination and upon approval of our Sales and Customer Service Department.

We offer our customers a satisfaction guarantee, for which we may: (i) exchange the defective or damaged food ingredient; (ii) offer a price discount on the defective or damaged food ingredient; or (iii) refund our customers the relevant purchase amount of the defective or damaged food ingredient with its value in credit to be carried over onto the next order of the customer or to be held as future credit. We do this only after proper inspection and examination by our Sales and Customer Service Department that the food ingredient is defective or damaged. We bear the liability or defect of our food ingredients are borne by us solely and there is no allocation of product defects between our suppliers and us.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product return due to product quality defects or damages, as well as any liability claims in relation to the same.

Pricing policy

We determine the prices of our products on a “cost-plus” basis, primarily comprising the price of that particular food ingredient, the price of raw packaging materials, processing costs, labour costs and costs of transportation and delivery. We compute our quotations based on prices quoted to us and after applying the above mentioned “cost-plus” strategy, they are sent to our Finance, Accounting and Administration Department for final approval before we formally issue to our customers. Our prices may vary for each product and are dependent on its supplier and are heavily affected by external factors such as weather, availability and seasonality of the food ingredients. Our quoted prices generally carry a validity period of three to five days, although we offer a longer validity period to our major customers. Sales orders that are placed also require the approval of our Finance, Accounting and Administration Department to ensure that the prices are up-to-date and within the validity period of the relevant issued quotation. Our Directors believe that our “cost-plus” pricing strategy, which already accounts for the fluctuations in our costs of sales from external factors, allows us to pass on part of the increase in purchase costs to our customers.

Seasonality

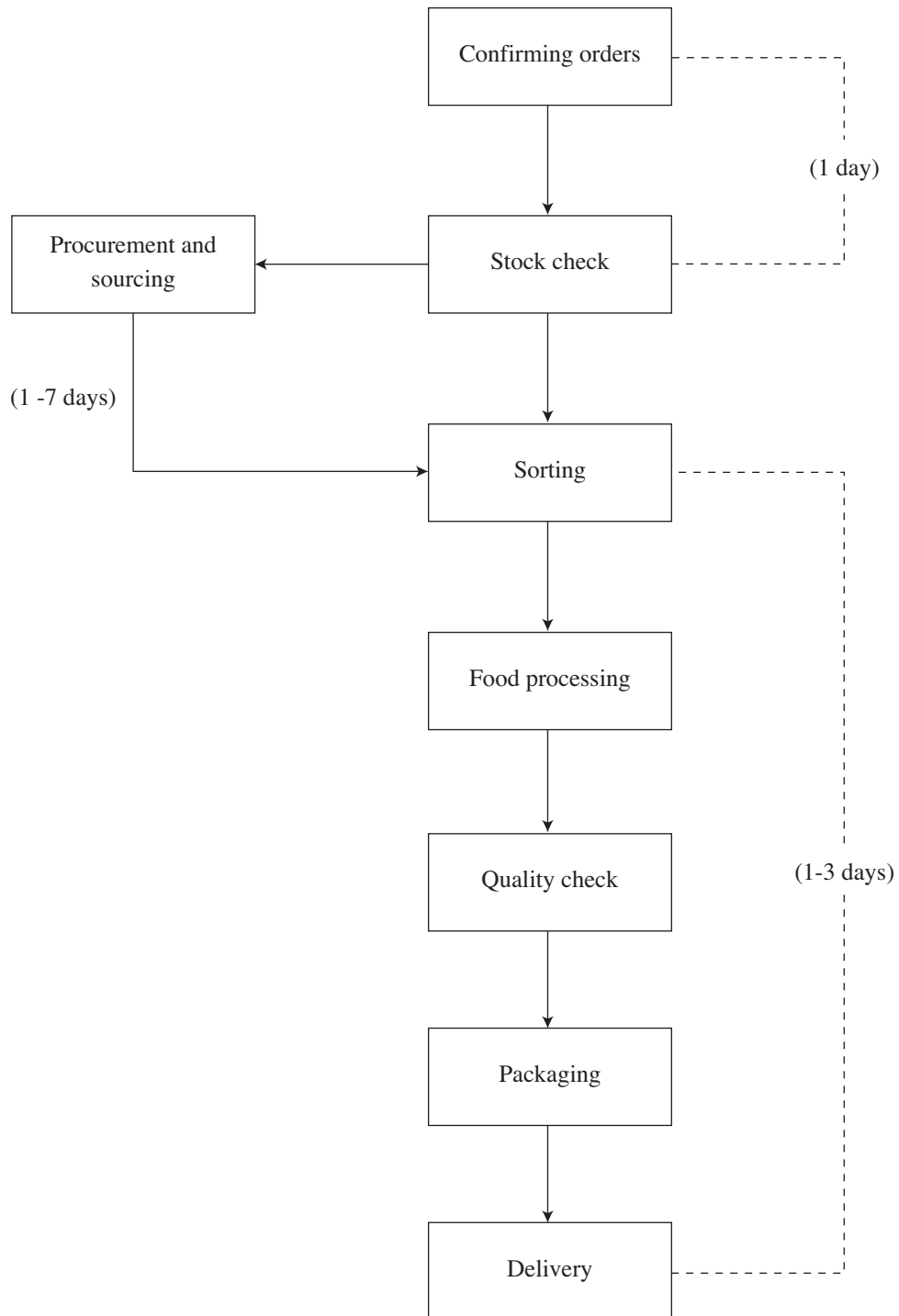
Our Group generally achieves higher sales in the month of December of each year – representing the month of Christmas, and the months of January to mid-February of each year – representing the months of and leading up to Chinese New Year, when compared to the remaining months of each year. Our Directors believe that this is largely due to the frequency of public holidays and festivals during such months, resulting in consumers being more likely to dine-out during such periods of festivities, whereupon food service operators experience a higher proportion of sales. As such, our revenue in the third and fourth quarters generally account for a higher percentage of our full-year revenue as compared to the other quarters. In addition, the price of vegetables may increase due to a drop in supply during rainy and stormy seasons but the fluctuations in sales are not significant.

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PROCESSING

Processing process

Set out below is our standard processing workflow:



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As the shelf-lives of many of our products are short, we place significant emphasis on managing our entire supply chain effectively to maintain stable supply of our products to our customers. Set out below is our standard processing workflow:

Confirming orders

Each product of a customer's purchase order may have its own technical specifications relating to its place of origin, freshness, colour and taste prior to processing, and its size, shape, packaging and delivery destination after processing. Please refer to the paragraph headed "Our products" in this section for examples of specifications our clients may give.

Stock check

After the customer confirms the specifications of the products, our Operations Department conducts a stock check to ensure that there is stock available to complete the order. If there are sufficient stock available, our Operations Department will collect the food ingredients and start the food processing procedures.

Procurement and sourcing

In the event if we do not have sufficient stock to complete the order, our Procurement Department will source and procure the required food ingredients from our suppliers. We have over 100 suppliers from which we can source our food ingredients from. For orders related to specialty food ingredients such as herbs and special seasonings, we may need to source them from overseas suppliers if the same cannot be found in Hong Kong. During the Track Record Period, approximately 16.4% and 15.8% of our purchase by value originated from overseas, respectively.

We adopt a centralised purchase system with a dedicated Procurement Department at our headquarters to approve and monitor procedures for all purchase orders, to ensure all of our internal control measures are complied with. For example, our Procurement Department is required to make purchases only from suppliers which are included in our suppliers' list. Our suppliers must comply with strict food safety and quality standards, such as licensing requirements, temperature and humidity control of their transportation vehicles and handling of food ingredients.

Food processing

We provide our customers with extensive processing services to customise food ingredients in accordance with their technical specifications. As at the Latest Practicable Date, we have 25 staff responsible for food processing procedures. The specifications given by our customers vary in different food ingredients. For vegetables, we may peel, trim, slice and/or dice them at particular angles, in such numbers and in such shapes and sizes as our customers may require, which ultimately assists in their workflow and efficiency in their operations. For example, we may slice white cabbage to thicknesses ranging from 0.2 cm to 1.5 cm, peel and slice cucumbers to a thinness of as little as 0.1 cm or peel and dice cucumbers to cubes of 1.5 sq.cm. Customers may also request for the removal of stems of the vegetables or to keep the leaves of the vegetables only, or that the vegetables be

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separated or grouped into specific portions. For fruits, normally our customers only give specifications on the size and shape of the fruits and our workers will conduct the screening and sorting for them.

As at the Latest Practicable Date, our Group employs 25 staff for our Operations Department, although we may engage individuals, who are also independent third parties, to assist in our operations from time to time.

Quality check

After the food ingredients are processed and before they are packaged, we will conduct a further sorting to remove those food ingredients that are not able to meet the specifications given by our customers.

Packaging

Many of our products must be kept fresh and require careful protection against physical, chemical and biological irritants that may damage the products during the course of transportation and delivery to our customers. Many products may also require individual portioning and packaging. Our packaging must also bear specific labelling and other information as may be required by law and our customers. As such, we endeavour to carefully and thoroughly package our products to ensure maximum freshness and quality, in the correct portions for our customers' convenience and displaying the correct information for food safety reasons.

Delivery

Our customers generally have specific delivery destinations for each batch of each product of their purchase orders. We offer our customers flexible transportation and delivery services of food ingredients from our processing factory to their designated delivery destinations. Our customers may require same-day delivery services and may place their purchase orders in the morning and, depending on the food ingredients involved and our delivery schedule, we may deliver the orders to their designated destinations on the same day. Once the food ingredients have been processed and packaged by our Operations Department and checked by our Quality Control Department, the food ingredients are prepared for transportation and assigned to vehicles depending on factors such as the weight of the food ingredients and their storage and handling requirements. Our Operations Department will ensure that the food ingredients reach our customers in a timely manner.

As at the Latest Practicable Date, we have one Logistics Manager responsible for the coordination of transportation and delivery services that we provide, and our vehicle fleet consists of four vehicles, all of which are self-owned. Given that the shelf-lives of our products are extremely short, where our transportation and delivery resources may not be able to meet our customers' delivery needs at that particular time, we also engage third-party logistics service providers to deliver our products to the customers' specified destinations. During the Track Record Period, we had engaged 38 third-party logistics service providers.

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Processing factory

As at the Latest Practicable Date, our Group owned two workshops that we use as processing factory, warehouse and office in Shatin which cover a total saleable area of approximately 1,121.6 sq.m.. Please refer to Appendix III – “Property Valuation” to this prospectus for detailed information of our workshops.

Machinery and equipment

The machinery and equipment used in the processing of our food ingredients are owned by our Group and include different types of washing machines, cutting machines and packaging machines. Set out below are the principal machinery owned by our Group and used in our processing stage, each having an average expected useful life of 5 years:

Machinery or equipment	Number of machinery or equipment	Use(s)
Bubble washing machine	2	To wash vegetables
Multi-function cutting machine	2	To cut vegetables
Slicing machine	1	To slice or shred vegetables
Dicing machine	1	To dice vegetables
Bandsaw machine	1	To cut tough vegetables
Conveyor belt	1	To seamlessly transport vegetables and fruit throughout our processing factory
Vegetable spinner	1	To spin-dry vegetables
Drying and sterilising machine	1	To dry and sterilise vegetables
Custom-made refrigeration unit	5	To properly store vegetables and fruits to ensure freshness
Vacuum packer	3	To deplete air in the packaging of vegetables and fruit to preserve freshness
Ice-making machine	1	To produce ice for packaging of certain vegetables and fruits to maintain ideal storage conditions
Metal detector	1	To detect foreign metal objects in the packaging of vegetables

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Other principal equipment used in our processing process include knives, Chinese cleavers, paring knives, turning knives, serrated knives and vegetable peelers. Such equipment are generally used for more delicate processing of food ingredients by hand. In addition, we have a refrigeration and temperature-controlled facility in our processing factory, sectioned into three separate areas for the storage of different types of vegetables and fruits.

Our Group conducts regular maintenance on its machinery and equipment, including checking for normal wear and tear, keeping records on machine configurations, making adjustments on machinery settings and programming and conducting and/or arranging of care for fittings. During the Track Record Period, there had been no major disruption of the business operations resulting from insufficient equipment maintenance or breakdown of machinery or equipment.

The table below sets forth the average age of our principal processing machinery as at 31 March 2016 by major types of machines:

	Average age as at 31 March 2016 (years)
Custom-made refrigeration unit	5.5
Cutting/slicing/dicing/bandsaw machine	5.0
Vacuum packer	3.6
Ice machine	0.8
Metal detector	5.0

Note: According to our depreciation policy, our machinery and equipment are depreciated over five years. Despite the average age of our custom-made refrigeration unit, cutting/slicing/dicing/bandsaw machine and metal detector was approximately or over five years, in view of the current status of the machines, our Directors are of the view that the machines are still in good operating mode.

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Processing capacity and planning

Our Group conducts general processing planning based on anticipated purchase order volumes, and conducts detailed processing planning based on actual orders received. Our Group reviews and adjusts its processing plans regularly to ensure all finished products can be delivered in accordance with customer demands and to avoid from running-out of our processing capacity. The aggregate processing capacity of the factory and an analysis of the utilisation rate during the Track Record Period are set out below:

	For the year ended 31 March 2015			For the year ended 31 March 2016		
	Estimated annual processing capacity (note 1) (tonne)	Processing Volume (tonne)	Utilisation rate (note 2)	Estimated annual processing capacity (note 1) (tonne)	Processing volume (tonne)	Utilisation rate (note 2)
Vegetables						
– Leafy vegetables	3,810	3,547	93.1%	3,821	3,616	94.6%
– Melon and fruit type vegetables	2,496	2,144	85.9%	2,503	2,188	87.4%
– Root and rhizome type vegetables	2,628	2,508	95.4%	2,635	2,528	95.9%
– Herbs, spices, mushrooms and others	1,577	1,393	88.3%	1,581	1,500	94.9%

Notes:

1. Processing capacity is estimated by the daily processing volume and multiplied by the number of days of processing during the period indicated.
2. Utilisation rate is computed by dividing actual processing output by estimated processing capacity.

Our overall processing facility utilisation rate was higher in the year ended 31 March 2016, as compared with 2015. The increase in utilisation rate of our processing lines for vegetables in 2016 was primarily due to the increase in our sales of vegetables mainly from the expansion in our customer base.

During the Track Record Period, our Group made investments of approximately HK\$942,000 in property, plant and equipment, out of which approximately HK\$28,000 was invested into the upgrading or maintaining of existing processing lines for vegetables.

Despite some of our existing customers and several potential customers, such as chain restaurants and catering groups, have been approaching us to express their intention for us to supply vegetable ingredients or to expand our existing supply scope, we may not be able to meet all of their demand as our existing processing capacity has been almost fully utilized.

Due to the limitation on existing processing capacity, most of these estimated new business opportunities are in negotiation stage, and save as disclosed in the section headed “Summary – Recent Development”, no formal agreement is yet entered into. Based on the current negotiations, our Directors are of the view that most of the new business

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opportunities are expected to have similar business terms with our existing customers and be materialized upon the completion of the expansion of our processing capacity to process the additional volume of vegetables.

In view of the strong demand of our products and to capture the business from these customers, we plan to expand our processing capacity for processing vegetables, especially for leaf type and root and rhizome type vegetables. In the future, we plan to further acquire new processing base facilities and machinery, such as washing and drying machines, various of cutting machines and chemical detection devices, as well as to upgrade the processing facilities and machinery of our existing processing lines to further increase our processing capacity, especially for leaf type and root and rhizome type vegetables.

It is estimated that (i) with reference to the current operations and the estimated sales growth in the future, we would need to set up refrigeration facilities (cold storage) at the new processing base with an approximate area of 2,000 sq. ft. to maintain an inventory level of generally one to three days of the business volume; (ii) for food safety purpose and to align with the ISO22000 and HACCP standards, the vegetables receiving, processing and packaging sections have to be segregated, it is expected that separate areas of approximately 500 sq. ft., 3,200 sq. ft. and 800 sq. ft. would be needed for vegetables receiving, processing and packaging sections, respectively; (iii) to implement our stringent quality control procedures and to ensure compliance of food safety standards, we would have to set up a washing section and a testing section with separate areas of approximately 300 sq. ft. and 200 sq. ft., respectively; (iv) to handle the administrative and supporting office work of the new processing base, an office area of approximately 1,000 sq. ft. would be required; and (v) the high initial fitting out cost would be better justified if the new production base could provide extra capacity to reserve room for our future development, our Directors are of the view that a new processing base of approximately 9,000 – 10,000 sq. ft. would be of the minimum scale for it to be operating practically and economically.

As such, as at the Latest Practicable Date, we are in the course of identifying a potential new processing base of approximately 9,000 to 10,000 sq.ft. in the industrial area in Fotan, New Territories, and plan to further invest approximately HK\$45,726,000, out of which (i) approximately HK\$21,750,000 will be invested as a downpayment and approximately HK\$18,277,000 will be financed by mortgage loan for acquiring the new processing base; (ii) approximately HK\$4,899,000 will be invested in the renovation and installation of the premises in accordance to the food safety standard; and (iii) the remaining HK\$800,000 will be invested in acquiring new equipment.

We estimate that the expansion would be completed by mid 2017 and upon completion of the expansion, we will be able to process and provide more variety of product offerings to our customers, such as packaged vegetables mix for salad, soup or dessert preparation, and hydroponically grown vegetables. Our vegetables processing capacity will increase by approximately 113.4% from approximately 29 tonnes per day to approximately 62 tonnes per day. Out of the total additional processing capacity, approximately 10% is planned to be used for relieving existing congestion; approximately 40% is planned to be used for accommodating the estimated business growth arising from the new business opportunities

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mentioned above; and approximately 50% is planned to be reserved as buffer for future growth. The estimated utilisation rate of our expanded processing facilities in the first year of operation is approximately 45%.

According to the estimated investment of the expansion plan, we expect the investment in the new production facilities will have a breakeven revenue of approximately HK\$26,271,000 and a breakeven utilization rate of the expanded processing facilities of approximately 15.5% per year, and a payback period of approximately 8 years, based on our Directors' understanding on the expected expansion of our existing customers, the negotiation between us and our potential customer groups and the estimated operating cost of the new processing base.

Having considered (i) our existing processing capacity are almost fully utilized; (ii) the expansion of our processing base can increase the variety of our product offerings, which is believed to be of strong demand as it could allow our customers to prepare dishes with further reduced kitchen staff; (iii) our efforts to cooperate with new customers through implementing our business strategies upon Listing as mentioned in the paragraph headed "Our business strategies and future plans" in this section above would allow us to increase our market share in the vegetables and fruits supply services industry; (iv) the Directors are of the view that we will be able to achieve a revenue growth for the year ending 31 March 2018, being the first year when the new processing facilities commence operations, higher than the expected breakeven point of the investment of the corresponding year; and (v) the expected payback period is reasonable, although there may be spare new capacity shortly after the expansion is completed, our Directors believe that future demand would justify the need for extra processing capacity.

PROCUREMENT OF FOOD INGREDIENTS

The principal food ingredients we procure for our operations vary depending on customer demand, but typical fresh vegetables and fruits consumed in Hong Kong are normally included. The purchase costs of food ingredients for the years ended 31 March 2015 and 2016 amounted to approximately HK\$104,165,000 and HK\$110,924,000, respectively.

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Sensitivity analysis

The sensitivity analysis below illustrates the impact of hypothetical fluctuations in our Group's average costs of the raw materials consumed during the Track Record Period. The percentage used below covers the range of fluctuation in average costs of the raw materials consumed by our Group during the Track Record Period.

Hypothetical fluctuation in average costs of raw materials consumed	+5% <i>(HK\$'000)</i>	+10% <i>(HK\$'000)</i>	-5% <i>(HK\$'000)</i>	-10% <i>(HK\$'000)</i>
Change in profit before tax				
For the year ended 31 March 2015	(5,207)	(10,415)	5,207	10,415
For the year ended 31 March 2016	(5,518)	(11,036)	5,518	11,036
Change in profit after tax				
For the year ended 31 March 2015	(4,348)	(8,696)	4,348	8,696
For the year ended 31 March 2016	(4,607)	(9,215)	4,607	9,215

Procurement

We determine our food ingredient procurement based on our Group's existing orders or forecast and estimation of orders. Our Sales and Customer Service Department determines the processing and sales volume at a particular time so as to formulate our procurement plan. Our Procurement Department then contacts our suppliers in relation to our procurement requirements. We adopt a centralised procurement system for the majority of our food ingredient in order to enjoy economies of scale and maximise our bargaining power with suppliers. Suppliers deliver the food ingredients to our processing factory after we place orders with them.

Suppliers

For the years ended 31 March 2015 and 2016, we procured from 77 and 90 suppliers, respectively. We select our suppliers on the basis of product quality and price, and the background, credibility, reputation, service, scale of production of the supplier and their ability to meet our delivery schedule and requests. We have established stable and good relationships with our suppliers.

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We have entered into agreements with our major suppliers to secure stable supply of raw materials for our operations. Set out below are the material terms of the agreements we sign with our suppliers:

Duration of agreement:

- two years;

Price of raw materials:

- based on quoted prices from time to time in writing;

Quantity:

- in accordance with our requirements;
- certain handling charges shall be waived for bulk purchases;

Quality:

- in accordance with the relevant regulatory standards;
- we have the right to refund for any defective or substandard raw materials;

Packaging:

- in accordance with our requirements.

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any shortage of raw food ingredients or delay in delivery of food ingredients by our suppliers that significantly affected our operations.

Payment terms granted by our suppliers vary depending on a number of factors including our relationship with our suppliers and the size of the transactions. On average, our suppliers typically provide us with credit terms of 10 to 120 days. We usually settle our trade payables by cheque.

During the years ended 31 March 2015 and 2016, purchases of materials from our five largest suppliers amounted to approximately HK\$77,569,000 and HK\$82,148,000 and represented 74.5% and 74.0% of our total cost of goods purchased, respectively, and purchases from our single largest supplier accounted for 54.4% and 56.6% of our total cost of goods purchased, respectively.

Our Directors are of the view there are readily available alternative suppliers in the market. Out of our existing PRC suppliers, our Directors consider that there is at least one existing supplier which is a registered vegetables processing enterprises of vegetables supplied to Hong Kong and Macau, and is able to supply vegetables at comparable terms, volume and quality with our largest supplier to our Group. In addition, to our Director's best

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understanding on the market, there are at least five other potential alternative suppliers in Shenzhen and Dongguan, which are registered vegetables processing enterprises of vegetables supplied to Hong Kong and Macau willing and able to supply vegetables at comparable terms, volume and quality with our largest supplier to our Group.

The table below sets out the background information of the top five suppliers and their respective percentages of purchases of our Group during the Track Record Period:

For the year ended 31 March 2015

Rank	Name of supplier	Principal business	Location	Type of products purchased by our Group	Approximate years of relationship with our Group	Typical credit term offered by our suppliers	Payment method	Total Purchases HK\$'000	Percentage of our Group's total purchase %
1	Supplier A	Wholesaler of vegetables	Shenzhen City, Guangdong Province, the PRC	Vegetables	2	120 days	Cheque	56,665	54.4
2	Supplier B	Wholesaler of vegetables and fruits	Hong Kong	Vegetables and fruits	10	10 days	Cheque	7,357	7.1
3	Supplier C	Wholesaler of vegetables and fruits	Hong Kong	Vegetables and fruits	6	15 days	Cheque	5,061	4.9
4	Supplier D	Wholesaler of fruits	Hong Kong	Fruits	9	60 days	Cheque	4,309	4.1
5	Supplier E	Wholesaler of lemons and eggs	Hong Kong	Lemons and eggs	10	15 days	Cheque	4,177	4.0
								77,569	74.5

For the year ended 31 March 2016

Rank	Name of supplier	Principal business	Location	Type of products purchased by our Group	Approximate years of relationship with our Group	Typical credit term offered by our suppliers	Payment method	Total Purchases HK\$'000	Percentage of our Group's total purchase %
1	Supplier A	Wholesaler of vegetables	Shenzhen City, Guangdong Province, the PRC	Vegetables	3	120 days	Cheque	62,836	56.6
2	Supplier B	Wholesaler of vegetables and fruits	Hong Kong	Vegetables and fruits	11	10 days	Cheque	7,822	7.1
3	Supplier C	Wholesaler of vegetables and fruits	Hong Kong	Vegetables and fruits	7	15 days	Cheque	3,996	3.6
4	Supplier F	Wholesaler of bean products	Hong Kong	Bean products	7	60 days	Cheque	3,907	3.5
5	Supplier E	Wholesaler of lemons and eggs	Hong Kong	Lemons and eggs	11	15 days	Cheque	3,587	3.2
								82,148	74.0

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As at the Latest Practicable Date, none of our Directors, their respective close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our Company's issued share capital as at the Latest Practicable Date, has any interest in any of our top five suppliers during the Track Record Period. To the best knowledge of our Directors, having made all reasonable enquiries, except (i) Au Kit Ying which is a connected person to our Group and (ii) Siberi Trading Company Limited, a company in which Mr. Liu had had a beneficial interest during the Track Record Period, each of our suppliers is an Independent Third Party.

Au Kit Ying

Au Kit Ying, a partnership business engaging in groceries trading owned by Ms. Au Kit Ying who is the mother of Mr. Liu, and Ms. Liu Shek Chun who is the sister of Mr. Liu, is therefore a connected person of our Company under the GEM Listing Rules. During the Track Record Period, Au Kit Ying has been a supplier of our Group. For the two years ended 31 March 2015 and 2016, the total historical amount paid by our Group to Au Kit Ying amounted to approximately HK\$99,000 and HK\$88,000, respectively, representing approximately 0.1% and 0.1% of our Group's total purchases for the corresponding year, respectively.

Siberi Trading Company Limited

Siberi Trading Company Limited, a company principally engaging in frozen meat trading owned as to 50% by Mr. Liu, before Mr. Liu has disposed of all his equity interest to the Independent Third Party in November 2015. During the Track Record Period, Siberi Trading Company Limited has been a supplier of our Group. For the two years ended 31 March 2015 and 2016, the total historical amount paid by our Group to Siberi Trading Company Limited amounted to approximately HK\$174,000 and HK\$144,000, respectively, representing approximately 0.2% and 0.1% of our Group's total purchases for the corresponding year, respectively.

Our Directors are of the view that the abovementioned transactions were conducted on normal commercial terms and our terms were not less favourable than the terms available from/to Independent Third Parties and our Directors consider fair and reasonable and in the interest of our Shareholders and our Group as a whole. For details of our transactions with our connected persons, please refer to the section headed "Connected Transactions" in this prospectus.

INVENTORY MANAGEMENT

Our inventory comprises mainly food ingredients, consisting of fresh vegetables and fruits. Other food ingredients include eggs, flour products, dried foods, packaged foods and other groceries. We generally maintain inventory levels based primarily on our estimated sales orders. We also consider the window of freshness for each type of vegetable or fruit that will optimise its freshness in ascertaining the inventory we keep. As fresh vegetables and fruits are highly perishable, we only stock our inventory to levels that are necessary to sustain one to three days of inventory.

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We carry out physical inventory counts periodically for better control and management of inventories to ensure the accuracy and completeness of stock-in and stock-out information on record. In addition, our Group adopts the “first-in, first-out” method to ensure inventories of older age will not be unnecessarily accumulated for an extended period of time. Generally, provision will be made for inventories which are considered obsolete after taking into account the aging, movement and usefulness and/or residual value of the inventories.

QUALITY CONTROL

Our Group places strong emphasis on quality control. As such, we have implemented stringent quality control procedures which are carried out by our Quality Control Department throughout our processing stage and on all processing lines.

Quality Control Department

As at the Latest Practicable Date, our Quality Control Department comprised seven quality control inspectors, headed by the Head of Quality Control of our Group, Mr. Cheng Lam Piu (“**Mr. Cheng**”), who collectively take charge of quality inspection procedures throughout the processing stage. Mr. Cheng has over 10 years of experience in quality control and his detailed experience and qualifications are set out in the section headed “Directors, Senior Management and Employees” in this prospectus. Our Quality Control Department is responsible for (i) inspecting and sorting food ingredients before such ingredients are accepted for processing; (ii) inspecting food ingredients at various stages of the processing stage to ensure that the quality of our products is at a consistently high level; and (iii) inspecting finished products to ensure that our products meet the specifications of our customers’ purchase orders and general food safety and quality requirements. Our quality control inspectors work independently from the processing line, ensuring that our products are assessed objectively.

Quality control over procurement and sourcing

We adopt a centralised purchase system with a dedicated procurement department at our headquarters to approve and monitor procedures for the purchase orders and to ensure our internal control measures are complied with.

For example, our Procurement Department is required to make purchases only from suppliers which are included in our suppliers’ list and ensure food ingredients we purchase are obtained from licensed and approved suppliers. Our suppliers must comply with strict food safety and quality standards, such as complying with relevant licensing requirements including business licenses and operational licenses such as a Certificate of Registered Vegetable Processing Enterprise of vegetables supplied to Hong Kong and Macau (供港澳蔬菜生產加工企業備案證書) (for PRC suppliers) and registration as food importer/distributor (for Hong Kong suppliers) where applicable, possessing suitable temperature control of their transportation vehicles and providing training to their employees regarding the proper handling of food ingredients. To ensure adequate supply and efficient delivery to our processing factory, we generally procure our food ingredients from PRC and Hong Kong suppliers within our internal suppliers’ list, which has been approved with reference to a number of factors, including (i) scale of operation; (ii) food safety compliance; (iii) licenses

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and permits being held; (iv) reputation; and (v) internal food handling measures. In times of contingencies, we may also procure our products from other suppliers that are not included in our suppliers' list that are nonetheless able to meet our food safety and quality standards, to avoid disruptions or shortages in supply.

In addition to the above requirements, our suppliers are required to comply with the following measures to ensure food safety compliance of our food ingredients:

- all vegetables imported from the Mainland must come from registered Mainland vegetables farms, which are subject to inspection by the Centre for Food Safety on a yearly basis;
- each PRC supplier is required to conduct periodic pesticide residue tests through accredited third-party laboratories in the PRC and provide us with such reports;
- each consignment of vegetables imported from the Mainland must be accompanied by identification tags (labels with information on the source of the vegetables on the packaging of each consignment) and export certificates of vegetables supplied to Hong Kong and Macau (供港澳新鮮蔬菜出貨清單) issued by the Mainland authorities (certifying that the vegetables have passed the pesticide residue "quick test"). Our Procurement Department would obtain the relevant valid export certificates from our PRC suppliers.

Our Procurement Department will remove the suppliers from our approved suppliers' list if such suppliers fail to comply with and observe the above measures.

After the delivery of food ingredients by our suppliers to our processing factory, our Quality Control Department inspects the deliveries to ensure that they are of acceptable freshness and quality in accordance with food safety and quality standards and that they comply with our customers' specifications such as freshness, colour and taste before they proceed to processing. Our Quality Control Department also inspects the deliveries procured from suppliers that have already been processed to ensure compliance with our customers' requirements and food safety and quality standards.

Quality control over the processing stage

After inspection and sorting, the food ingredients proceed directly to the processing stage.

To ensure compliance of food safety standards throughout the processing stage, our Group has established a system to submit samples of our food ingredients to accredited third-party laboratories for pesticide residue and heavy metal testing and microbiological testing regularly. We also conduct internal sample-testing on our vegetables and fruits on a monthly basis using "quick test" machinery to detect pesticide residues and heavy metal content.

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During the Track Record Period and as at the Latest Practicable Date, there was no excessive pesticide residue, heavy metal or microbiological elements found in the food samples tested by our Group's internal testing or the accredited third-party laboratories.

Food ingredients such as fresh or chilled foods must be stored in refrigeration facilities to ensure that they are kept at appropriate temperature range. The refrigeration facility at our processing factory has an approximate total gross area of 222.2 sq.m., sectioned into three separate areas each with temperature control for different food ingredients depending on their respective storage requirements. Our refrigeration facilities generally operate at the temperatures of 4-6°C. Our Quality Control Department routinely conducts checks on them to ensure the food ingredients continue to be of optimal freshness and quality until processing or distribution.

We have adopted and implemented our own internal food safety management system according to the ISO 22000:2005 standard, which provides specific instructions as to the storage of each food ingredient that passes through our processing factory. Our strict standards ensure that the food ingredients continue to be of optimal freshness throughout various stages i.e. processing, handling and until consumption by our end-consumers.

Our Operations Department conducts preventative checks into the conditions of our refrigeration facilities on a bi-weekly basis, ensuring its temperature control system, air filters, condensation drains and other properties are maintained and problems are identified before the food ingredients are damaged. We also routinely pressure clean the refrigeration facilities to prevent food-borne illnesses and deterioration of food ingredients.

Our Operations Department check the numerous types of washing machines, cutting machines and packaging machines used in the processing stage on a monthly basis for food safety and technical maintenance purposes. During the processing stage, our Quality Control Department also performs quality inspections on works-in-progress that are being manufactured at our processing factory based on acceptable food safety and quality standards and according to our customers' specifications. Our internal food safety management system provides guidance to our Quality Control Department for carrying out their works.

Due to the highly perishable nature of our products and the narrow time frame of our business cycle, our Quality Control Department oversees the entire processing stage to ensure proper implementation of our internal food safety management system is consistently in accordance with ISO 22000:2005 and that operations run smoothly.

In implementing our internal food safety management system, our Human Resources and Administration Department regularly conducts or arranges training sessions for proper food safety and industry-related methods to be practiced throughout our organisation. For example, every employee of our Group is required to undergo annual training in personal hygiene, good manufacturing practice and HACCP principles. New employees must undergo such training within three months of their joining our Group, ensuring that our Group does not experience any disruptions in safety, quality or service.

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In particular, our dedicated food safety control team must be trained and be familiar with the ISO 22000:2005 standard as well as HACCP principles.

Quality control over finished products

Upon completion of processing, we check the finished products and ensure that they are compliant with our customers' technical specifications. For example, they are checked to see if there are any defects in the products and whether their processing, size, shape and packaging are in line with our customers' requests. After the products are assessed on their technical specifications, our Quality Control Department again checks the finished products to ensure that the food safety and quality standards of the products have been maintained from the procurement stage and throughout the processing stage. Our packaging material supplier is required to provide us with the test reports for their packaging materials against the well recognised food safety standard from accredited third party laboratories. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material sales returns for the products we sold to our customers.

We have implemented a traceability program to allow our Sales and Customer Service Department to trace each batch of food ingredients delivered to our customers.

HEALTH AND WORK SAFETY

Our Group's emphasis on creating and sustaining a healthy and safe work environment for our employees. We continue to enjoy effective communication both throughout our supply chain and within and outside our Group, with respect to not only our employees but also external business partners such as suppliers and third-party logistics service providers. Our Group believes high standards in these areas underpin a critical aspect of operating effectiveness and, in turn, help our Group compete effectively.

We have implemented internal training programmes and a workplace health and safety memorandum, through which our Group educates and reminds our employees of the importance of and the correct practices for health and safety in the workplace. Our Finance, Accounting and Administration Department has designated personnel to record and keep track of any injuries of our employees that have occurred in our workplace, whom ensure insurance claims and treatments are effectively pursued to protect our employees and our Group. For the two years ended 31 March 2015 and 2016, injuries suffered by our employees were minor and there was no material injury recorded.

ENVIRONMENTAL MATTERS

Due to the nature of our business, our Group's operational activities do not directly generate industrial pollutants, and as such our Group did not incur directly costs of compliance with applicable environmental protection rules and regulations during the Track Record Period. Our Directors expect that our Group will not directly incur significant costs for compliance with applicable environmental protection rules and regulations in the future. As at the Latest Practicable Date, our Group had not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

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RESEARCH AND DEVELOPMENT

Our Directors consider that the nature of our business does not require any research and development activities.

INTELLECTUAL PROPERTY

We are the registrant of the domain “*www.cyfood.com.hk*” and of 1 trademark in Hong Kong. We are also the applicant of 1 trademark in Hong Kong. Please refer to the section headed “Statutory and General Information – B. Further information about the Business – 2. Intellectual property rights of our Group” in this prospectus for further details.

As at the Latest Practicable Date, our Group was not aware of any infringement (i) by it of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by our Group or it was also not aware of any pending or threatened claims against our Group or any of its subsidiaries in relation to the infringement of any intellectual property rights of third parties.

EMPLOYEES

As at the Latest Practicable Date, we directly employed 69 full-time employees in Hong Kong. A breakdown of our employees by function as at the dates indicated is set forth below:

	As at 31 March 2015	As at 31 March 2016	As at the Latest Practicable Date
Management	5	5	7
Sales and Customer Service	18	16	19
Finance, Accounting and Administration	5	5	4
Procurement	4	5	5
Operations	27	27	25
Quality Control	7	7	7
Logistics	2	1	2
Total	<u>68</u>	<u>66</u>	<u>69</u>

We generally recruit our employees from the open market by placing recruitment advertisements. We endeavour to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

BUSINESS

We entered into separate labour contracts with each of our employees in accordance with the applicable labour laws of Hong Kong. The remuneration offered to employees generally includes salaries and bonuses. In general, we determine salaries of our employees based on their qualifications, position and seniority.

We provide various types of trainings to our employees. Our Directors consider that our training programme can increase our overall efficiency and facilitate us to retain quality employees.

Our Directors consider that we have maintained good relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any labour disputes nor did we experience any difficulties in the recruitment and retaining of experienced or skilled staff members which would have had a material impact on our business, financial condition or results of operations. Our Group has not set up any trade union for our employees.

INSURANCE

Our Group maintains insurance coverage against, among others, (i) employees' compensation; (ii) product liability; (iii) damages to the properties owned by our Group; (iv) liability for third party bodily injury occurred in our office premises; and (v) third-party liability in relation to the use of our vehicles. Certain types of risks, such as the risk in relation to the collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Our Directors consider that our insurance coverage is adequate and consistent with industry norm.

For each of the two years ended 31 March 2015 and 2016, our Group incurred insurance expenses of approximately HK\$148,000 and HK\$167,000, respectively. Our Group did not make and was not subject to any insurance claim during the Track Record Period and up to the Latest Practicable Date.

MARKET COMPETITION

We operate as a food ingredients supplier within the food service industry in Hong Kong. According to the Euromonitor Report, the overall food ingredient supply market in Hong Kong is highly fragmented.

It is estimated that there are more than hundreds of food ingredient suppliers in Hong Kong. Despite the fierce competition within the industry we operate, there are several barriers to entry and more than 90% of food ingredients suppliers in Hong Kong are small companies operating with fewer than ten employees. Our Directors believe that our strong reputation in the industry and our extensive network of and established relationships with clients and suppliers enable us to compete efficiently and differentiate ourselves from our competitors.

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Details of our Group's competitive strengths are set out in the section headed "Business – Competitive strengths" in this prospectus. Please also refer to the section headed "Industry Overview" in this prospectus for details of the competitive landscape of the food ingredients supply industry in Hong Kong.

PROPERTIES

Owned properties

As at the Latest Practicable Date, our Group owns two properties in Shatin, the details of which are set out below:

Property	Usage	Total saleable area (<i>sq.m.</i>)
Workshop A, 1st Floor, Sunking Factory Building, No. 1-7 Shing Chuen Road, Shatin, New Territories, Hong Kong	Warehouse and office	550.4
Workshop B, 1st Floor, Sunking Factory Building, No. 1-7 Shing Chuen Road, Shatin, New Territories, Hong Kong	Processing factory	571.2

Leased properties

During the Track Record Period, our Group leased the following properties as its market stalls and parking spaces, details of which are set out below:

Property	Usage	Total gross floor area (<i>sq.m.</i>)	Monthly rental expenses	Term
Parking space No. 24 on U1/F Sunking Factory Building No. 1-7 Shing Chuen Road, Shatin	Parking space	10.4	HK\$1,500	From 3 August 2014 to 2 August 2016
Parking space No. 28 on U1/F Sunking Factory Building No. 1-7 Shing Chuen Road, Shatin	Parking space	10.4	HK\$1,500	From 3 August 2014 to 2 August 2016
Parking space No. 29 on U1/F Sunking Factory Building No. 1-7 Shing Chuen Road, Shatin	Parking space	10.4	HK\$1,600	From 1 August 2015 to 31 July 2017

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Property	Usage	Total gross floor area <i>(sq.m.)</i>	Monthly rental expenses	Term
Parking space No. 51 on 1/F Sunking Factory Building No. 1-7 Shing Chuen Road, Shatin	Parking space	10.4	HK\$1,100	From 1 July 2015 to 30 June 2017
Parking space No. G626 Cheung Sha Wan Wholesale Food Market Kowloon	Parking space	22.5	HK\$1,150	From 1 May 2016 to 30 April 2018
Stall No. B42 Cheung Sha Wan Wholesale Food Market Kowloon	Logistic centre and warehouse	48.0	HK\$6,440	From 1 May 2016 to 30 April 2018
Unit A, 25/F, Block 3 Vision City, 1 Yeung Uk Road, Tsuen Wan	Director's accommodation	125.3	HK\$28,000	From 1 April 2015 to 31 March 2018

Save for one property which is leased from Across Well, all properties above are leased from Independent Third Parties. For details, please refer to the section headed "Connected Transactions" in this prospectus.

INTERNAL CONTROL

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our quality management system.

The internal control policies of the Group include measures and procedures to prevent occurrence of fraud, theft, bribery, corruption, and other misconduct involving employees, customers and other third parties, including for instance, kickbacks arrangement from customers or suppliers. For examples, guidelines in relation to conflict of interest, monitoring, handling and reporting misconduct is set out in the code of conduct of the Group of which all employees are required to follow and channel of reporting frauds and misconducts are provided to staff. In the event that employees are suspicious on any inappropriate instances, they are encouraged to report to the senior management directly of the Group via a whistleblowing system for further investigation.

To enhance our internal controls as well as in connection with the Listing, our Group has engaged an independent internal control consultant (the "**Consultant**") to perform a review over our internal controls over financial reporting in March 2016, covering areas such as entity level control, revenue and receivables, procurement to pay, processing and food management, fixed assets management, inventory management, treasury management, human resources, financial reporting, tax management, information technology. The scope of internal control review work performed and the long form report issued have been agreed between the Sole Sponsor, the Consultant and our Group.

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As a result of a review of our internal controls over financial reporting by the Consultant, we identified certain areas in our internal control system, policies and procedures that require improvements. In the view of the Directors, none of the issues are considered to be material and substantially all issues will be resolved prior to Listing.

The Consultant also performed follow-up procedures on our Group's system of internal controls in May 2016, with regard to the remedial actions taken by our Group. The work performed and the follow-up review did not identify any material internal control weakness, and our Directors confirmed that there is no material weakness in our internal control measures.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

No member of our Group was engaged in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

Non-compliance matters of our Group

During the Track Record Period and as at the Latest Practicable Date, we had no material non-compliance of applicable laws and regulations in Hong Kong that would affect our Group's operation and financial position.

LICENSES, CERTIFICATES AND REGISTRATIONS

The following table set out the details of our major licences and certificates as at the Latest Practicable Date:

Licence, certificate or registration	Issuing body	Duration
Registration of food importer/ distributor	Food and Environmental Hygiene Department	1 February 2015 to 31 January 2018
Food factory licence	Food and Environmental Hygiene Department	18 January 2016 to 17 January 2017
Certificate of Fire Service Installation and Equipment	Fire Services Department	21 April 2016 to 20 April 2017

Our Directors confirm that our Group had obtained all necessary licenses, certificates, consents and approvals for our business operations in Hong Kong during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that our Group did not experience any material difficulties in obtaining and/or renewing such licenses, certificates,

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consents and approvals. Further, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licenses, certificates, consents and approvals.

CORPORATE SOCIAL RESPONSIBILITIES

Our Group profoundly realises the success of enterprise and corporate social responsibility are closely linked. As part of our endeavours to assume corporate social responsibilities, our Group offers job opportunities for disadvantaged community. Having been recognised for our community involvement, our Group has been awarded Certificate of Appreciation as a token of appreciation of employing people with disabilities by Selective Placement Division of the Labour Department in 2012.

RISK MANAGEMENT

Our Directors have confirmed that during the ordinary course of our business, we are primarily exposed to (i) control risks relating to our overall monitoring system; (ii) regulatory risks in relation to our business; (iii) operational risk; and (iv) market risk relating to changes in macroeconomic environment.

In order to continuously improve our Group's internal control and risk management system in the future, our Group has established an on-going process for identifying, evaluating and managing the significant risks faced by our Group. The key procedures that our Group has established and implemented are summarised as follows:

- (i) segregation of duties and functions of the respective operational departments of our Group;
- (ii) monitoring the budget and financial performance;
- (iii) reviewing systems and procedures to identify, measure, manage and control reputational, legal, credit, market and operational risks;
- (iv) handling price-sensitive information by setting out the procedures and policies;
- (v) updating the staff handbook, internal control manual and compliance manual when there are changes to business environment or regulatory guidelines; and
- (vi) updating the risk register to follow up any identified risk.

Our Directors have confirmed that during the Track Record Period, save as disclosed in this prospectus, no material failure occurred and we believe that our internal control and risk management system are sufficient and effective.

The following set out the key risks for our business and the mitigating internal control procedures thereof:

Operational risk management

Both the heads of our Operations Department and Quality Control Department are responsible for maintaining our operations and assessing the operational risks of our business. They are responsible for implementing our risk management policies and procedures. Emphasis are placed on the occupational safety, that we have implemented safety guidelines based on applicable regulations and require all of our employees to strictly comply with such guidelines, and we carry out regular safety checks on our production equipment to ensure that it is thoroughly tested and safe for use. In addition, we require operators of our processing equipment to attend training sessions on the required safety standards and we provide our employees with regular work place safety trainings.

Risk control

Our risk register has identified certain risks that require management, including inappropriate and inconsistent practises, failure to detect unethical behaviours, wrong doings or potential frauds and unauthorised access to confidential information. In order to control such risks, our Group has endorsed staff handbook, internal control manual and compliance manual which require all directors and employees of our Group to observe.

Regulatory risk management

Upon Listing, our Group may be exposed to the risks of non-compliance with the Listing Rules. We have assigned our company secretary and financial controller, Ms. Yim Sau Ping, to update the context of compliance manual at least annually and to distribute to all Directors and employees new amendments of the GEM Listing Rules. We have engaged Frontpage Capital as our compliance adviser as required under Rule 6A.19 of the GEM Listing Rules. All directors and employees are required to acknowledge their understanding of staff handbook, internal control manual and compliance manual at least annually. Our Group will also retain a Hong Kong legal adviser to advise us on compliance matters with applicable Hong Kong laws and regulations.

CONNECTED TRANSACTIONS

The following transactions have been carried out by our Group and connected persons during the Track Record Period and are expected to be continued following the Listing. The following transactions will be regarded as connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

FULLY EXEMPTED CONTINUING CONNECTED TRANSACTIONS

A. Tenancy Agreement

Across Well is a company owned as to 50% by Mr. Liu, our Chairman and Controlling Shareholder, and is a connected person of our Company under the GEM Listing Rules. Any transaction between Across Well and our Group thus constitutes a connected transaction upon Listing. Across Well is an investment holding company.

On 24 December 2015, C.Y. Food entered into a tenancy agreement (the “**Tenancy Agreement**”) with Across Well pursuant to which Across Well agreed to lease and C.Y. Food agreed to rent a residential property in Tsuen Wan owned by Across Well (the “**Rented Property**”) for staff accommodation for a term of three years from 1 April 2015 to 31 March 2018 at a monthly rental fee of HK\$28,000 which was agreed after arm's length negotiations between the parties with regard to the prevailing market rates of similar properties in the vicinity. The maximum annual amount of rental fee payable to Across Well by our Group under the Tenancy Agreement for the year ending 31 March 2017 and 31 March 2018 is HK\$336,000 and HK\$336,000, respectively.

As it is expected that the highest relevant percentage ratio in respect of the rental fee paid by our Group to Across Well will be, on an annual basis, less than 5% and the total consideration will be less than HK\$3,000,000 in aggregate according to the Tenancy Agreement, and is on normal commercial terms, the transactions under the Tenancy Agreement are exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under the GEM Listing Rules.

B. Purchase Agreement

Au Kit Ying, a partnership business engaging in groceries trading owned by Ms. Au Kit Ying who is the mother of Mr. Liu, and Ms. Liu Shek Chun who is the sister of Mr. Liu, is therefore a connected person of our Company under the GEM Listing Rules. Any transaction between Au Kit Ying and our Group thus constitutes a connected transaction upon Listing.

During the Track Record Period, Au Kit Ying has been a supplier of our Group. For the two years ended 31 March 2015 and 2016, the total historical amount paid by our Group to Au Kit Ying amounted to approximately HK\$99,000 and HK\$88,000, respectively.

CONNECTED TRANSACTIONS

On 1 June 2016, Au Kit Ying entered into a framework purchase agreement (the “**Framework Purchase Agreement**”) with our Group pursuant to which Au Kit Ying agreed to supply groceries to our Group from 1 June 2016 to 31 March 2019 at a price which shall be agreed after arm’s length negotiations between the parties with regard to the prevailing market rates of similar products from time to time.

The maximum annual amount of purchase fee payable to Au Kit Ying by our Group under the Framework Purchase Agreement for the years ending 31 March 2017, 2018 and 2019 is HK\$100,000, HK\$105,000 and HK\$105,000, respectively. In arriving at the above amount, our Directors had considered (i) the historical amount paid by our Group to Au Kit Ying; (ii) the estimated demand of our Group for groceries from Au Kit Ying; and (iii) the estimated market demand and rates for groceries for the three years ending 31 March 2019.

As it is expected that the highest relevant percentage ratio in respect of the purchases from Au Kit Ying by our Group will be, on an annual basis, less than 5% and the total consideration will be less than HK\$3,000,000 in aggregate according to the Framework Purchase Agreement, and is on normal commercial terms, the transactions under the Framework Purchase Agreement are exempted from the reporting, announcement, annual review and independent shareholders’ approval requirements under the GEM Listing Rules.

C. Sales Agreements

China Land Framework Sales Agreement

China Land is a company owned as to 30% by Mr. Liu, our Chairman, executive Director and Controlling Shareholder, and is a connected person of our Company under the GEM Listing Rules. Any transaction between China Land and our Group thus constitutes a connected transaction upon Listing.

During the Track Record Period, China Land has been a customer of our Group. For the two years ended 31 March 2015 and 2016, the total historical amount paid by China Land to our Group amounted to approximately HK\$665,000 and HK\$691,000 respectively.

On 1 June 2016, China Land entered into a framework sales agreement (the “**China Land Framework Sales Agreement**”) with our Group pursuant to which our Group agreed to sell vegetables and fruits and provide food processing services to China Land from 1 June 2016 to 31 March 2019 at a price which shall be agreed after arm’s length negotiations between the parties with regard to the prevailing market rates of similar products and/or services from time to time.

The maximum annual amount of purchase fee payable to our Group by China Land under the China Land Framework Sales Agreement for the years ending 31 March 2017, 2018 and 2019 is HK\$719,000, HK\$748,000 and HK\$778,000, respectively. In arriving at the above amount, the Directors had considered (i) the historical amount paid by China Land to our Group; (ii) the estimated demand of China Land for

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vegetables and fruits and food processing services from our Group; and (iii) the estimated market demand and rates for provision of vegetable, fruit and food processing services for the three years ending 31 March 2019.

As it is expected that the highest relevant percentage ratio in respect of the sales and services provided to China Land will be, on an annual basis, less than 5% and the total consideration will be less than HK\$3,000,000 in aggregate according to the China Land Framework Sales Agreement, and is on normal commercial terms, the transactions under the China Land Framework Sales Agreement are exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under the GEM Listing Rules.

Tang Palace Framework Sales Agreement

Tang Palace (China) is the holding company of Tang Palace, a Substantial Shareholder, and therefore Tang Palace Group is a connected person of our Company under the GEM Listing Rules. Any transaction between Tang Palace Group and our Group thus constitutes a connected transaction upon Listing.

Tang Palace Group principally operates restaurants. During the Track Record Period, Tang Palace Group has been a customer of our Group. For the two years ended 31 March 2015 and 2016, the total historical amount paid by Tang Palace Group to our Group amounted to nil and approximately HK\$5,700, respectively.

On 27 June and 4 August 2016, Tang Palace Group entered into a framework sales agreement and a supplemental framework sales agreement, respectively (collectively the "**Tang Palace Framework Sales Agreements**") with our Group pursuant to which our Group agreed to sell vegetables and fruits and provide food processing services to Tang Palace Group from 27 June 2016 to 31 March 2019 at a price which shall be agreed after arm's length negotiations between the parties with regard to the prevailing market rates of similar products and/or services from time to time.

The maximum annual amount of purchase fee payable to our Group by Tang Palace Group under the Tang Palace Framework Sales Agreements for the years ending 31 March 2017, 2018 and 2019 is HK\$600,000, HK\$600,000 and HK\$600,000, respectively. In arriving at the above amount, our Directors had considered (i) the historical amount paid by Tang Palace Group to our Group; (ii) the estimated demand of Tang Palace Group for vegetables and fruits and food processing services from our Group; and (iii) the estimated market rates for provision of vegetable, fruit and food processing services for the three years ending 31 March 2019.

As it is expected that the highest relevant percentage ratio in respect of the sales and services provided to Tang Palace Group will be, on an annual basis, less than 5% and the total consideration will be less than HK\$3,000,000 in aggregate according to the Tang Palace Framework Sales Agreement, and is on normal commercial terms, the

CONNECTED TRANSACTIONS

transactions under the Tang Palace Framework Sales Agreement are exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under the GEM Listing Rules.

CONFIRMATION FROM DIRECTORS

Our Directors (including the independent non-executive Directors) confirm that the Tenancy Agreement, Framework Purchase Agreement, China Land Framework Sales Agreement and Tang Palace Framework Sales Agreement are entered into in the ordinary and usual business of our Group, on arm's length basis and are on normal commercial terms, and on terms which are no less favourable than terms for similar transactions offered by Independent Third Parties.

Our Group expects to continue to rent the Rented Property from Across Well, to purchase groceries from Au Kit Ying and to provide vegetables, fruits and food processing services to China Land and Tang Palace Group following Listing, and will continue to do so on an arm's length basis, on normal commercial terms and on terms no less favourable than the terms offered to our Group by Independent Third Parties. Our Directors (including our independent non-executive Directors) are of the view that the arrangements are in the ordinary and usual course of business, are fair and reasonable, and in the interests of the Shareholders as a whole.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following completion of the Placing, Mr. Liu and Classic Line (an investment holding company wholly-owned by Mr. Liu, which has not commenced any substantive business activities as at the Latest Practicable Date) will each control more than 30% of our Company's issued share capital. For the purpose of the GEM Listing Rules, Mr. Liu and Classic Line are the Controlling Shareholders.

Each of Mr. Liu and Classic Line confirms that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on its businesses independently of, and does not place undue reliance on, the Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

(i) Financial independence

Our Group has its own financial management system and the ability to operate independently from the Controlling Shareholders from a financial perspective. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on the Controlling Shareholders.

During the Track Record Period, our Group's borrowings were secured / guaranteed by (i) joint guarantee executed by Mr. Liu, Mr. Chan Kam Cheong, and Healthy Cheer; (ii) properties held by our Group; (iii) a motor vehicle with net book value of HK\$341,000 as at 31 March 2016; and (iv) personal guarantee executed by Mr. Liu.

As at the Latest Practicable Date, our Group has refinanced its borrowings by repaying the original bank loans at higher interest rates with the newly drawn bank loans at lower interest rates. As a result of the refinancing, the joint guarantee executed by Mr. Liu, Mr. Chan Kam Cheong, and Healthy Cheer was released and replaced by joint guarantee executed by Mr. Liu and Ms. Wu. Our Group will release and replace the joint guarantee by Mr. Liu and Ms. Wu and the personal guarantee by Mr. Liu with the corporate guarantee of our Company upon Listing.

As at 31 March 2015 and 2016, we had amount due from Mr. Liu of approximately HK\$8,108,000 and approximately HK\$16,012,000, respectively. The amount due from Mr. Liu was non-trade in nature, unsecured, interest-free and repayable on demand. The amount due from Mr. Liu will be fully settled before Listing.

(ii) Operational independence

Our Group has established its own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared its operational resources, such as suppliers, customers, marketing, sales and general

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

administration resources with the Controlling Shareholders and/or their associates. Our Directors are of the view that there is no operational dependence on the Controlling Shareholders.

(iii) Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The main functions of our Board include the approval of its overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Company has an independent management team, which is led by a team of senior management with substantial experience and expertise in its business, to implement our Group's policies and strategies.

Our Board consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Liu is an executive Director and the Chairman of our Board. Ms. Wu is an executive Director and the Chief Executive Officer. Mr. Liu, who is the sole director of Classic Line, is the overlapping director between our Group and the Controlling Shareholder. None of other Directors nor members of senior management hold any directorship or position in the Controlling Shareholders.

Each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transactions and shall not be counted in the quorum. In addition, the senior management team of our Group are independent from the Controlling Shareholders. Our Directors are of the view that our Board and senior management are capable of managing our Group's business independently from the Controlling Shareholders.

RULE 11.04 OF THE GEM LISTING RULES

The Controlling Shareholders, our Directors and their respective associates do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between our Group and the Controlling Shareholders, Mr. Liu and Classic Line (each a "Covenantor" and collectively the "Covenantors") have entered into the Deed of Non-competition with our Company (for itself and for the benefit of each other member of our Group) on 26 September 2016. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not,

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

and shall procure that his/its associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall (and he/it shall procure his/its associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within 6 months after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Division granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreement having been fulfilled (or where applicable, waived) and the Underwriting Agreement not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus (or if such date is not a Business Day, the immediate preceding Business Day), the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on (i) in relation to any Covenantor, the date on which he/it together with his/its associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) the date on which the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors (or their associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (ii) the Covenantors will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;
- (iii) our Company has appointed Frontpage Capital as its compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls. Please refer to the section headed "Directors, Senior Management and Employees – Compliance adviser" in this prospectus for further details in relation to the appointment of compliance adviser;
- (iv) the Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (v) our independent non-executive Directors will, based on the information available to them, review on an annual basis (a) the compliance with the Deed of Non-competition; and (b) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition. Findings of such review will be disclosed in our Company's annual report after Listing.

BUSINESS OBJECTIVES AND FUTURE PLANS

BUSINESS OBJECTIVES

Our primary objectives are to strengthen our position in the food sourcing and processing industry and further expand our business operations with a view to creating long term Shareholders' value. We intend to achieve our objectives by implementing the following future plans and business strategies:

FUTURE PLANS AND BUSINESS STRATEGIES

To achieve our business objectives, we intend to adopt the following strategies in the future:

- Increase transportation capacity by expanding our vehicle fleet
- Increase marketing efforts and enhance sales channels
- Expand processing capacity and upgrade processing facilities
- Strengthen staff recruitment and training

Please refer to the section headed "Business – Business strategies" in this prospectus for a detailed description of our future plans and business strategies.

Despite some of our existing customers and several potential customers, such as chain restaurants and catering groups, have been approaching us to express their intention for us to supply vegetable ingredients or to expand our existing supply scope, we may not be able to meet all of their demand as our existing processing capacity has been almost fully utilized.

Due to the limitation on existing processing capacity, most of these estimated new business opportunities are in negotiation stage, and save as disclosed in the section headed "Summary – Recent Development", no formal agreement is yet entered into. Based on the current negotiations, our Directors are of the view that most of the new business opportunities are expected to have similar business terms with our existing customers and be materialized upon the completion of the expansion of our processing capacity to process the additional volume of vegetables.

In view of the strong demand of our products and to capture the business from these customers, we plan to expand our processing capacity for processing vegetables, especially for leaf type and root and rhizome type vegetables. In the future, we plan to further acquire new processing base facilities and machinery, such as washing and drying machines, various of cutting machines and chemical detection devices, as well as to upgrade the processing facilities and machinery of our existing processing lines to further increase our processing capacity, especially for leaf type and root and rhizome type vegetables.

It is estimated that (i) with reference to the current operations and the estimated sales growth in the future, we would need to set up refrigeration facilities (cold storage) at the new processing base with an approximate area of 2,000 sq. ft. to maintain an inventory level of generally one to three days of the business volume; (ii) for food safety purpose and to

BUSINESS OBJECTIVES AND FUTURE PLANS

align with the ISO22000 and HACCP standards, the vegetables receiving, processing and packaging sections have to be segregated, it is expected that separate areas of approximately 500 sq. ft., 3,200 sq. ft. and 800 sq. ft. would be needed for vegetables receiving, processing and packaging sections, respectively; (iii) to implement our stringent quality control procedures and to ensure compliance of food safety standards, we would have to set up a washing section and a testing section with separate areas of approximately 300 sq. ft. and 200 sq. ft., respectively; (iv) to handle the administrative and supporting office work of the new processing base, an office area of approximately 1,000 sq. ft. would be required; and (v) the high initial fitting out cost would be better justified if the new production base could provide extra capacity to reserve room for our future development, our Directors are of the view that a new processing base of approximately 9,000 – 10,000 sq. ft. would be of the minimum scale for it to be operating practically and economically.

As such, as at the Latest Practicable Date, we are in the course of identifying a potential new processing base of approximately 9,000 to 10,000 sq.ft. in the industrial area in Fotan, New Territories, and plan to further invest approximately HK\$45,726,000, out of which (i) approximately HK\$21,750,000 will be invested as a downpayment and approximately HK\$18,277,000 will be financed by mortgage loan for acquiring the new processing base; (ii) approximately HK\$4,899,000 will be invested in the renovation and installation of the premises in accordance to the food safety standard; and (iii) the remaining HK\$800,000 will be invested in acquiring new equipment.

We estimate that the expansion would be completed by mid 2017 and upon completion of the expansion, we will be able to process and provide more variety of product offerings to our customers, such as packaged assorted vegetables mix for salad, soup or dessert preparation, and hydroponically grown vegetables. Our vegetables processing capacity will increase by approximately 113.4% from approximately 29 tonnes per day to approximately 62 tonnes per day. Out of the total additional processing capacity, approximately 10% is planned to be used for relieving existing congestion; approximately 40% is planned to be used for accommodating the estimated business growth arising from the new business opportunities mentioned above; and approximately 50% is planned to be reserved as buffer for future growth. The estimated utilisation rate of our expanded processing facilities in the first year of operation is approximately 45%.

According to the estimated investment of the expansion plan, we expect the investment in the new production facilities will have a breakeven revenue of approximately HK\$26,271,000 and a breakeven utilisation rate of the expanded processing facilities of approximately 15.5% per year, and a payback period of approximately 8 years, based on our Directors' understanding on the expected expansion of our existing customers, the negotiation between us and our potential customer groups and the estimated operating cost of the new processing base.

Despite the slowdown of growth in the market size of the Hong Kong food service industry as affected by the declining inbound tourists, our Directors are of the view that there will be increasing demand for our vegetables and fruits and that we will be able to achieve a considerable revenue growth in the future, after taken into consideration that (i) the establishment of central kitchens and restaurant franchising are gaining popularity among various restaurant brands, which would require standardized food ingredients to ensure

BUSINESS OBJECTIVES AND FUTURE PLANS

consistency of the food quality; (ii) the growing awareness of food safety concern among food service operators in Hong Kong who increasingly tend to enter into long-term partnerships with reliable or sizable suppliers to secure safe and stable supply of food ingredients; (iii) in face of the increase in minimum wage and other operating costs and the labour shortage in the food service sector, the food service operators intend to rely more on their suppliers to provide them with processed food ingredients, such as washed, cut and packed vegetables; (iv) a number of our existing customers has approached our Group and expressed intention on expanding the supply scope by our Group in the future, provided that we have sufficient processing capacities; (v) a number of potential customers has approached our Group and expressed intention on purchasing vegetables and fruits from our Group, provided that we have sufficient processing capacities; and (vi) we have a diversified portfolio of customers including not only restaurants, but also catering services providers for schools, hospitals and offices which are considered to be less susceptible to the changes in tourism outlook.

Having considered (i) our existing processing capacity are almost fully utilized; (ii) the expansion of our processing base can increase the variety of our product offerings, which is believed to be of strong demand as it could allow our customers to prepare dishes with further reduced kitchen staff; (iii) our efforts to cooperate with new customers through implementing our business strategies upon Listing as mentioned in the paragraph headed “Our business strategies and future plans” in this section above would enable us to increase our market share in the vegetables and fruits supply services industry; (iv) the Directors are of the view that we will be able to achieve a revenue growth for the year ending 31 March 2018, being the first year when the new processing facilities commence operations, higher than the expected breakeven point of the investment of the corresponding year; and (v) the expected payback period is reasonable, although there may be spare new capacity shortly after the expansion is completed, our Directors believe that future demand would justify the need for extra processing capacity.

In addition, as many of our customers are catering services providers and restaurants operators who require us to deliver the food ingredients timely to their specified locations, an efficient logistics arrangement is very important to our operations. During the Track Record Period, we have incurred freight and transportation expenses to third party logistics providers amounted to approximately HK\$14,868,000 and approximately HK\$16,186,000 for the year ended 31 March 2015 and 2016, respectively. To reduce the costs of operations and to increase the reliability of our services, our Directors are of the view that there is a practical need to develop our own vehicle fleet by acquiring additional vehicles to assist in the transportation and delivery of our products. In this regard, we plan to invest approximately HK\$3,710,000 for acquiring 9 new trucks for product delivery and approximately HK\$7,560,000 for recruitment of the logistics team staff, which is estimated to generate an annualised cost savings of approximately HK\$230,000 per vehicle per year.

BUSINESS OBJECTIVES AND FUTURE PLANS

IMPLEMENTATION PLANS

We will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 31 March 2019, and their respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed “Bases and key assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out under the section headed “Risk Factors” in this prospectus. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

From the Latest Practicable Date to 31 March 2017

Business strategy	Implementation activities	Sources of funding
Acquisition of new processing base, facilities and equipment	– Downpayment for acquiring additional industrial premises of approximately 9,000 to 10,000 sq.ft. in the industrial zone in New Territories as a new processing base of our Group	Listing proceeds of approximately HK\$21,750,000
	– Fitting out, renovation and installation of the new processing base	Listing proceeds of approximately HK\$4,899,000
	– Acquire additional facilities and machines, such as washing and drying machines, various cutting machines and chemical detection devices	Listing proceeds of approximately HK\$800,000
	– Evaluate the efficiency of new processing base and assess for our need for additional facilities and machines	
Expansion of logistic team	– Acquire two additional chilled 5.5 tonne trucks and a non-chilled 5.5 tonne truck	Listing proceeds of approximately HK\$1,684,000
	– Recruit approximately six additional distribution staff responsible for driving and delivering	

BUSINESS OBJECTIVES AND FUTURE PLANS

Business strategy	Implementation activities	Sources of funding
Enhancement of sales channels	– Enhance our sales channels such as upgrading of mobile sales application and developing an internet sales platform	Listing proceeds of approximately HK\$136,000

From 1 April 2017 to 30 September 2017

Business strategy	Implementation activities	Sources of funding
Further strengthening our manpower	<ul style="list-style-type: none"> – Recruit two additional sales personnel to expand our sales team – Recruit approximately 15 additional operation staff to improve our processing capacity – Recruit an additional procurement personnel to further strengthen our sourcing network – Assess the sufficiency of our labour resources having to our business development 	Listing proceeds of approximately HK\$1,911,000
Expansion of logistic team	<ul style="list-style-type: none"> – Acquire two additional chilled 5.5 tonne trucks and a non-chilled 5.5 tonne trucks – Recruit approximately six additional distribution staff responsible for driving and delivering – Maintain the cost of additional trucks acquired and distribution staff recruited 	Listing proceeds of approximately HK\$2,440,000
Enhancement of sales channels	– Enhance our sales channels such as maintaining and upgrading of mobile sales application and internet sales platform	Listing proceeds of approximately HK\$116,000

BUSINESS OBJECTIVES AND FUTURE PLANS

From 1 October 2017 to 31 March 2018

Business strategy	Implementation activities	Sources of funding
Further strengthening our manpower	<ul style="list-style-type: none">– Maintain the cost of additional staff recruited– Continue to assess the sufficiency of our labour resources having to our business development	Listing proceeds of approximately HK\$1,911,000
Expansion of logistic team	<ul style="list-style-type: none">– Maintain the cost of additional trucks acquired and distribution staff recruited	Listing proceeds of approximately HK\$1,512,000
Enhancement of sales channels	<ul style="list-style-type: none">– Enhance our sales channels such as maintaining and upgrading of mobile sales application and internet sales platform	Listing proceeds of approximately HK\$116,000

From 1 April 2018 to 30 September 2018

Business strategy	Implementation activities	Sources of funding
Further strengthening our manpower	<ul style="list-style-type: none">– Recruit two additional sales personnel to expand our sales team– Recruit approximately ten additional operational staff to improve our processing capacity– Recruit an additional procurement personnel to further strengthen our sourcing network– Maintain the cost of additional staff recruited– Continue to assess the sufficiency of our labour resources having to our business development	Listing proceeds of approximately HK\$3,332,000

BUSINESS OBJECTIVES AND FUTURE PLANS

Business strategy	Implementation activities	Sources of funding
Expansion of logistic team	– Acquire three additional chilled 5.5 tonnes trucks	Listing proceeds of approximately HK\$3,366,000
	– Recruit approximately six additional distribution staff responsible for driving and delivering	
	– Maintain the cost of additional trucks acquired and distribution staff recruited	
Enhancement of sales channels	– Enhance our sales channels such as maintaining and upgrading of mobile sales application and internet sales platform	Listing proceeds of approximately HK\$116,000

From 1 October 2018 to 31 March 2019

Business strategy	Implementation activities	Sources of funding
Further strengthening our manpower	– Maintain the cost of additional staff recruited	Listing proceeds of approximately HK\$3,332,000
	– Continue to assess the sufficiency of our labour resources having to our business development	
Expansion of logistic team	– Maintain the cost of additional trucks acquired and distribution staff recruited	Listing proceeds of approximately HK\$2,268,000
Enhancement of sales channels	– Enhance our sales channels such as maintaining and upgrading of mobile sales application and internet sales platform	Listing proceeds of approximately HK\$116,000

BUSINESS OBJECTIVES AND FUTURE PLANS

BASES AND KEY ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and key assumptions:

- there will be no significant economic change in respect of inflation, interest rate, tax rate and currency exchange rate that will adversely affect our business operations;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material change in the existing laws (whether in the PRC or any part of the world), policies, or industry or regulatory treatment relating to us, or in the political, economic or market conditions in which we operate;
- there will be no material change in the bases or rates of taxation applicable to us;
- there will be no disaster, natural, political or otherwise, which would materially disrupt our business operations or cause substantial loss, damage or destruction to our properties or facilities;
- there will be no significant change in the business relationships with our major clients and suppliers;
- there will be no change in the effectiveness of any licences and permits obtained by us; and
- we will not be materially affected by the risk factors as set out under the section headed “Risk Factors” in this prospectus.

REASONS FOR THE PLACING AND THE USE OF PROCEEDS

Despite the considerable expenses for the Listing, our Directors decide to proceed with this form of equity financing for the purpose of our business expansion instead of solely obtaining debt financing because our Directors are in the views that maintaining a lower level of borrowings would benefit our Group and Shareholders as a whole. Given that the uncertain interest rate movement going forward (which may expose to increasing borrowing costs in the future via debt financing), our Directors believe that our Group’s financial performance and liquidity may be negatively affected due to the principal and interest payments if we proceed with debt financing to fund all of our business expansion.

According to the Euromonitor Report, the overall vegetables and fruits supply services industry is comparatively fragmented in Hong Kong with more than five hundreds of vegetables and fruits supply service providers. Our Directors believe that the Listing will allow us to stand out from other suppliers, and can further enhance the profile and recognition of our Group and products and hence further strengthen our existing and

BUSINESS OBJECTIVES AND FUTURE PLANS

potential suppliers' and customers' confidence in us, enable us to attract and retain quality personnel in this competitive market, and enhance our internal corporate governance. In addition, the Listing and the Placing could enhance our capital base and provide our Company with additional avenues to raise capital to strengthen our financial position and enable us to implement our business objectives set out in this section. Furthermore, a public listing status on GEM will allow us to access to capital market for future corporate finance exercises, which will assist in our future business development and strengthen our competitiveness.

Based on the Placing Price of HK\$0.2375 per Placing Share, being the mid-point of the indicative Placing Price range of HK\$0.225 to HK\$0.25 per Placing Share, we will receive gross proceeds of HK\$76,000,000. All expenses (including underwriting fees) in connection with the Listing to our Group are estimated to be approximately HK\$20,661,000. Consequently, we should receive net proceeds, after deducting all related expenses (including underwriting fees), of approximately HK\$55,339,000 from the Placing. Our Directors intend to apply such net proceeds as follows:

	From the Latest Practicable Date to 31 March 2017 <i>(HK\$'000)</i>	For the six months ending 30 September 2017 <i>(HK\$'000)</i>	For the six months ending 31 March 2018 <i>(HK\$'000)</i>	For the six months ending 30 September 2018 <i>(HK\$'000)</i>	For the six months ending 31 March 2019 <i>(HK\$'000)</i>	Total <i>(HK\$'000)</i>	Approximate percentage <i>(%)</i>
Acquisition of new processing base, facilities and equipment	27,449	-	-	-	-	27,449	49.6
Further strengthening our manpower	-	1,911	1,911	3,332	3,332	10,486	18.9
Establishment of logistic team	1,684	2,440	1,512	3,366	2,268	11,270	20.4
Enhancement of sales channels	136	116	116	116	116	600	1.1
General working capital	5,534	-	-	-	-	5,534	10.0
	<u>34,803</u>	<u>4,467</u>	<u>3,539</u>	<u>6,814</u>	<u>5,716</u>	<u>55,339</u>	<u>100.0</u>

The net proceeds from the issue of the Placing Shares will be approximately 90.0% utilised by 31 March 2019 and approximately HK\$5,534,000 will be used as working capital and funding for other general corporate purposes according to our current business plans. Our Directors consider that the net proceeds from the issue of the Placing Shares of approximately HK\$55,339,000 and our internal resources will be sufficient to finance our business plans as schedule up to the year ending 31 March 2019. In the event that we would require additional financing apart from the net proceeds from the issue of the Placing Shares for our future plans, the shortfall will be financed by our internal resources.

We estimate that the additional net proceeds to be received by our Company will be approximately HK\$55,339,000, after deducting all related expenses (including underwriting fees), assuming a Placing Price of HK\$0.2375 per Placing Share, being the mid-point of the indicative Placing Price range of HK\$0.225 to HK\$0.25 per Placing Share.

BUSINESS OBJECTIVES AND FUTURE PLANS

If the final Placing Price is set at the highest or lowest point of the indicative Placing Price range, the net proceeds of the Placing will increase or decrease by approximately HK\$3,860,000, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above irrespective of whether the Placing Price is determined at the highest or lowest point of the indicative Placing Price range.

To the extent that the net proceeds from the Placing are not immediately required for the above purposes, it is the present intention of our Directors that such net proceeds will be placed on short-term interest-bearing deposits with authorised financial institutions.

Our Group will issue an announcement in accordance with the requirements under the GEM Listing Rules if there is any material change in the use of proceeds as described above.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our Group's business. Our Board consists of six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth certain information of our Directors:

Name	Age	Present position	Date of joining our Group	Date of appointment as Director	Principal roles and responsibilities	Relationship with other Directors and senior management
<i>Executive Directors</i>						
Mr. Liu Chi Ching (廖子情)	50	Chairman and executive Director	6 September 2005	6 April 2016	Overall strategic management and development of our Group's business and operations	None
Ms. Wu Shuk Kwan (胡淑君)	33	Chief Executive Officer and executive Director	1 April 2014	27 May 2016	Overseeing our Group's operations, business development, human resources, finance and administration	None
<i>Non-executive Director</i>						
Mr. Wong Chung Yeung (黃忠揚)	39	Non-executive Director	27 May 2016	27 May 2016	Formulating strategies of our Group	None
<i>Independent Non-executive Directors</i>						
Ms. Li On Lei (李安梨)	38	Independent non-executive Director	26 September 2016	26 September 2016	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee and providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of our Group	None
Mr. Ng Ki Man (吳祺敏)	30	Independent non-executive Director	26 September 2016	26 September 2016	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of our Group	None

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Present position	Date of joining our Group	Date of appointment as Director	Principal roles and responsibilities	Relationship with other Directors and senior management
Mr. Lo Siu Kit (羅少傑)	55	Independent non-executive Director	26 September 2016	26 September 2016	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of our Group	None

EXECUTIVE DIRECTORS

Mr. Liu Chi Ching (廖子情) (“**Mr. Liu**”), aged 50, is the founder of our Group. Mr. Liu is responsible for the overall strategic management and development of our Group’s business operations. Mr. Liu was appointed as Director on 6 April 2016 and re-designated as our Chairman and executive Director on 27 May 2016. He is also a member of the Remuneration Committee and the chairman of the Nomination Committee.

Mr. Liu has over 20 years of experience in the food trading and processing industry. Mr. Liu worked as a chef at various restaurants of well-known clubs and hotels from 1983 to 1993, including The American Club Hong Kong and Hyatt Regency Hong Kong. During such period, he gathered extensive knowledge of the industry and established close relationships with customers and suppliers. Prior to founding our Group, Mr. Liu has been operating his business under the trade name C.Y. Trading Company since March 1993. He established CY Food Trading Limited in May 1998 and had worked as a director of CY Food Trading Limited from May 1998 to March 2001. Mr. Liu has been a director of C.Y. Food since September 2005 and a director of Healthy Cheer since September 2015. Mr. Liu is a director of all subsidiaries of our Group.

Mr. Liu was a director of the following companies incorporated in Hong Kong which were subsequently dissolved (but not due to members’ voluntary winding-up) with details as follows:

Name of Company	Nature of business immediately prior to dissolution	Date of dissolution
CY Food Trading Limited (日新食品貿易有限公司) (<i>note</i>)	Ceased business	9 March 2001
Fine Jade International Limited (佳翠國際有限公司) (<i>note</i>)	Ceased business	29 October 2010

Note: CY Food Trading Limited and Fine Jade International Limited were deregistered under Section 291AA of the Predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong). Under Section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if: (a) all the members of such company agree to such deregistration; (b) such company has

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Liu confirmed that there is no wrongful act on his part leading to the above dissolutions of CY Food Trading Limited and Fine Jade International Limited respectively and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of CY Food Trading Limited and Fine Jade International Limited respectively.

Ms. Wu Shuk Kwan (胡淑君) (“**Ms. Wu**”), aged 33, is the Chief Executive Officer and an executive Director of our Group. Ms. Wu is responsible for overseeing our Group’s operations, business development, human resources, finance and administration. Ms. Wu was appointed as our Chief Executive Officer and executive Director on 27 May 2016.

Ms. Wu joined our Group as sales and marketing manager in April 2014. Ms. Wu obtained an Associate of Arts from the HKU School of Professional and Continuing Education in September 2004. She also completed the Level 2 Book-keeping and Accounting course endorsed by LCCI International in February 2006. Before joining our Group, Ms. Wu worked in Brilliant Training Centre as a teacher from April 2005 to March 2006. From April 2006 to March 2010, she was a director of Tech Rich Trading Limited, a company principally engaged in wholesale of vegetables in Hong Kong, with the main responsibility of managing the business operation, human resources, finance and administration. She worked in Hong Kong Dragon Airlines Limited as a flight attendant from January 2007 to January 2012 and as a flight purser from January 2012 to March 2014. Ms Wu is proficient in various languages and has sound communication skills to engage employees throughout the Group.

Ms. Wu was a director of the following company incorporated in Hong Kong which was subsequently dissolved (but not due to members’ voluntary winding-up) with details as follows:

Name of Company	Nature of business immediately prior to dissolution	Date of dissolution
Tech Rich Trading Limited (迅富貿易有限公司) (<i>note</i>)	Ceased business	12 March 2010

Note: Tech Rich Trading Limited was struck off and dissolved pursuant to Section 291 of the Predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong). Under Section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies.

Ms. Wu confirmed that there is no wrongful act on her part leading to the above dissolution of Tech Rich Trading Limited and she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolution of Tech Rich Trading Limited.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

NON-EXECUTIVE DIRECTOR

Mr. Wong Chung Yeung (黃忠揚) (“**Mr. Wong**”), aged 39, was appointed as our non-executive Director on 27 May 2016. Mr. Wong graduated from the Hong Kong University of Science and Technology in July 1999 with a Bachelor of Business Administration in Accounting and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has rich experience in the finance and accounting profession. Prior to joining our Group, Mr. Wong worked in Ernst & Young from June 2000 to December 2011 with his last position held as senior manager. Mr. Wong is the chief financial officer and company secretary of Tang Palace (China) Holdings Limited (stock code: 1181), a company listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Li On Lei (李安梨) (“**Ms. Li**”), aged 38, was appointed as our independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee on 26 September 2016. Ms. Li is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of our Group.

Ms. Li is currently the financial controller of Gameone Holdings Limited (Stock Code 8282) (“Gameone”). She is primarily responsible for the handling and overseeing financial reporting, financial planning, and reviewing internal control of Gameone. Prior to joining Gameone, she had worked in the Audit and Assurance Department of HLB Hodgson Impey Cheng Limited from July 2004 to May 2015, and her last position was senior manager. She has accumulated more than 12 years of experience in auditing, accounting and financial management. Ms. Li graduated from Leeds Metropolitan University with a Bachelor of Arts (Hons) Degree in Accounting and Finance in June 2003. Ms. Li has been a fellow member of the Association of Chartered Certified Accountants since March 2016.

Mr. Ng Ki Man (吳祺敏) (“**Mr. Ng**”), aged 30, was appointed as our independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee on 26 September 2016. Mr. Ng is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of our Group.

Mr. Ng holds a Bachelor of Business Administration (Honours) degree in Information Systems from the City University of Hong Kong. Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Mr. Ng has more than 8 years of experience in auditing and accounting. Mr. Ng is currently the company secretary of Clear Lift Holdings Limited (stock code: 1341), a company listed on the Main Board of the Stock Exchange.

Mr. Lo Siu Kit (羅少傑) (“**Mr. Lo**”), aged 55, was appointed as our independent non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee on 26 September 2016. Mr. Lo is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of our Group.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lo is a fellow member of The Professional Validation Centre of Hong Kong Business Sector. He has been a director of Olympic Management Company Limited since February 1991 and is currently a member of the Tsuen Wan District Council. Mr. Lo is also currently the Chairman of the Traffic and Transport Committee, a member of the District Facilities Management Committee, Cultural, Recreation and Sports Committee, Community Building, Planning and Development Committee, Social Services and Community Information Committee, Coastal Affairs Committee and Environmental and Health Affairs Committee. Meanwhile, Mr. Lo is a member of the Transport and Housing Bureau Appeal Panel (Housing), Labour and Welfare Bureau, Rehabilitation Advisory Committee and District Fight Crime Committee (Tsuen Wan District).

Save as disclosed in this prospectus, each of our Directors (i) had no interest in the Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date; (ii) is independent from, and not related to, any Directors, substantial Shareholders, Controlling Shareholders (as defined under the GEM Listing Rules), or senior management of our Company; and (iii) had not held any other directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas during the three years prior to the Latest Practicable Date.

Save as disclosed in this prospectus, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets forth certain information of the senior management of our Group:

Name	Age	Present Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities
Ms. Wu Hau Kam (胡巧琴)	52	Director of Procurement	6 September 2005	1 January 2010	Responsible for the procurement of food ingredients and raw materials
Mr. Ho Shut Cheong (何述昌)	46	Director of Operations	12 May 2012	1 January 2014	Responsible for overseeing processing and inventory management
Mr. Cheng Lam Piu (鄭林彪)	59	Director of Quality Control	6 September 2005	1 October 2005	Responsible for overseeing quality control of our Group

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Wu Hau Kam (胡巧琴) (“**Ms. Wu HK**”), aged 52, is the Director of Procurement of our Group. Ms. Wu HK is responsible for procurement of food ingredients and raw materials. Before joining our Group, Ms. Wu HK worked in Dongguan Liaobu Town Liangbian Management Area Knitwear Factory (東莞市寮步鎮良邊管理區毛織廠) as a worker from 1978 to 1985. She then worked as a purchasing officer in Shui Hing Long Fresh Vegetables and Fruits Company (瑞興隆時菜鮮果食品) from 1998 to December 2004. She worked as a purchasing officer in C.Y. Food Trading Company Limited from January 2005 to September 2005. Ms. Wu HK joined our Group as purchasing manager in September 2005 and was promoted to her current position in January 2010.

Mr. Ho Shut Cheong (何述昌) (“**Mr. Ho**”), aged 46, is the Director of Operations of our Group. Mr. Ho is responsible for overseeing processing and inventory management. Before joining our Group, Mr. Ho worked as a metalworker in Wai Shing Steel Company (偉成鐵器) from 1985 to 1986 and Shun Shing Hardware and Manufacturing Company (順成五金製品) from 1986 to 1995, respectively. He then worked as a warehouse and inventory assistant in Wing Tai Hong Vegetable Wholesale Company Limited (永泰行) from 1995 to 2003, where he was responsible for ensuring customers’ orders were completed in accordance with the specifications required and delivered in a timely manner. He later worked as a metalworker in Paky Limited from January 2003 to July 2008. He joined C.Y. Food as factory manager from September 2008 to June 2009 and managed the daily operations of the processing facility and staff. He worked for Super Tri Union Enterprise Company Limited as inventory manager from September 2009 to February 2012 and involved in planning and monitoring of the operations management for food ingredients supply. Mr. Ho re-joined our Group as inventory manager in May 2012 and was promoted to his current position in January 2014. With Mr. Ho’s previous experiences, he has extensive knowledge in process and staff management to direct sizeable operations, and has in depth product knowledge and understandings to the vegetables industry.

Mr. Cheng Lam Piu (鄭林彪) (“**Mr. Cheng**”), aged 59, is the Director of Quality Control of our Group. Mr. Cheng is responsible for overseeing quality control of our Group including leading the quality control department in conducting food safety analysis, identifying food safety control points, and establishing, performing and evaluating the food safety monitoring procedures for our Group. Mr. Cheng has over 10 years of experience in quality control and is a qualified Food Hygiene Manager recognised by the Food and Environmental Hygiene Department, with extensive food hygiene knowledge including how to identify key areas of risk in various food operations for early remedial actions and ensure compliance with the regulations and codes of practice relating to the food processing and supply industry. Prior to joining our Group, Mr. Cheng worked as a butcher in Ying Wa Company (英華鷄鴨) from 1979 to 1997. He then worked as inventory manager in C.Y. Trading Company and CY Food Trading Limited from December 1997 to May 1998 and from May 1998 to March 2001, respectively. In March 2001, Mr. Cheng re-joined C.Y. Trading Company as inventory manager and left his position in November 2004. He then joined C.Y. Food Trading Company Limited as inventory manager from November 2004 to September 2005. Mr. Cheng joined our Group as inventory manager in September 2005 and was promoted to his current position in October 2005. Mr. Cheng has had wide knowledge and vast experience in food safety management, and has contributed in and achieved to leading our Group to attain HACCP certification since 2012.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPANY SECRETARY AND FINANCIAL CONTROLLER

Ms. Yim Sau Ping (嚴秀屏) (“**Ms. Yim**”), aged 33, graduated from The Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy in 2007 and has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since 2010. She has accumulated more than 8 years of experience in accounting, auditing and financial management. Ms. Yim was appointed as our Company’s secretary and financial controller on 1 June 2016.

Prior to joining our Group, Ms. Yim worked for Ngai Shun Holdings Limited (stock code: 1246), a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for JC Group Holdings Limited (now known as “Tonking New Energy Group Holdings Limited”) (stock code: 8326), a company listed on the Growth Enterprise Market of the Stock Exchange, as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013.

She is currently the director of Blooming (HK) Business Limited, a company primarily provides corporate advisory and company secretarial services.

COMPLIANCE OFFICER

Ms. Wu is the compliance officer of our Company. For details of her biographical details, please refer to the paragraph headed “Executive Directors” of this section.

COMPLIANCE ADVISER

We have appointed Frontpage Capital as our compliance adviser (the “**Compliance Adviser**”) pursuant to Rule 6A.19 of the GEM Listing Rules and Frontpage Capital assumes responsibility for acting as our compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise our Company in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated including share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes the annual report of its financial results for the second full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

Except for (i) Frontpage Capital's role as the Sole Sponsor in relation to the Listing; (ii) the compliance adviser agreement entered into between our Company and Frontpage Capital; and (iii) the Underwriting Agreement pursuant to which Frontpage Capital has the capacity as the Sole Bookrunner and Lead Manager, Frontpage Capital does not have any other contractual arrangement with our Group as at the Latest Practicable Date.

AUDIT COMMITTEE

Our Company has established the Audit Committee on 26 September 2016 with written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group. The Audit Committee comprises three members, all are our independent non-executive Directors, namely Ms. Li On Lei, Mr. Ng Ki Man and Mr. Lo Siu Kit, of whom Mr. Ng Ki Man is the chairman of the Audit Committee.

REMUNERATION COMMITTEE

Our Company has established the Remuneration Committee on 26 September 2016 with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The Remuneration Committee comprises four members, namely Ms. Li On Lei, Mr. Ng Ki Man, Mr. Lo Siu Kit and Mr. Liu Chi Ching. Ms. Li On Lei is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, amongst other things, to make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and on our Group's policy and structure for all remuneration of our Directors and senior management.

NOMINATION COMMITTEE

Our Company has established the Nomination Committee on 26 September 2016 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The Nomination Committee comprises four members, namely Ms. Li On Lei, Mr. Ng Ki Man, Mr. Lo Siu Kit and Mr. Liu Chi Ching. Mr. Liu Chi Ching is the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to our Board on appointment of Directors and succession planning for our Directors.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company will comply with the Corporate Governance Code and the associated GEM Listing Rules. In order to comply with the requirements under the GEM Listing Rules, in particular, the code provisions contained in the Corporate Governance Code, we have adopted the following measures as at the Latest Practicable Date:

- (i) we have established the Audit Committee, Remuneration Committee and Nomination Committee on 26 September 2016 with respective written terms of reference in accordance with the code provisions contained in the Corporate Governance Code;
- (ii) our Board has adopted the terms of reference with regard to corporate governance and a shareholders' communication policy in accordance with the code provision of the Corporate Governance Code;
- (iii) we will arrange appropriate insurance cover on our Directors' liabilities in respect of legal actions against our Directors arising out of corporate activities before Listing;
- (iv) we have appointed three independent non-executive Directors representing more than one-third of our Board and at least one of them has accounting expertise;
- (v) the chairman of our Board is Mr. Liu whereas the chief executive officer of our Company is Ms. Wu. The roles of the chairman and the chief executive officer will be separate and distinct;
- (vi) our Directors will operate in accordance with the Articles which require the interested Director not to vote or be counted in the quorum on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested;
- (vii) our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost;
- (viii) our Company has adopted a comprehensive compliance manual covering legal and regulatory compliance with reference of the Corporate Governance Code;
- (ix) our Company will consider engaging an independent internal control consultant to perform regular review on corporate governance to ensure on-going compliance after Listing; and
- (x) our Directors will attend professional development seminar including but not limit to the corporate governance to ensure on-going compliance after Listing.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our Company is expected to comply with the Corporate Governance Code which sets out the principles of good corporate governance in relation to, among others, our Directors, chairman and chief executive of officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Board will review our Company's policies and practises on corporate governance from time to time. Our Company will state in our interim and annual reports whether we have complied with the Corporate Governance Code, and will provide details of, and reasons for, any deviations from it in the corporate governance report which will be included in our annual reports.

DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to our Directors for the two years ended 31 March 2015 and 2016 was approximately HK\$1,332,000 and HK\$1,503,000, respectively.

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to the above senior management of our Group for each of the years ended 31 March 2015 and 2016 was approximately HK\$618,000 and HK\$719,000, respectively.

No retirement benefits were paid or payable by our Group to our Directors for each of the years ended 31 March 2015 and 2016.

Our Group's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload, performance and the time devoted to our Group. Further details of the remuneration of our Directors are set out in the section headed "Statutory and General Information – D. Further information about substantial shareholders, Directors and experts – 3. Remuneration of Directors" in Appendix V to this prospectus.

Our Group's five highest paid individuals for each of the years ended 31 March 2015 and 2016 included 2 Directors and 3 individuals who were not Directors. The emoluments paid to these 3 individuals for the years ended 31 March 2015 and 2016 were approximately HK\$738,000 and HK\$794,000, respectively. During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five highest-paid individuals (including Directors and employees) as an incentive to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 8(b) in the Accountant's Report set out in Appendix I to this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

MANDATORY PROVIDENT FUND SCHEME

Our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and our Directors confirm that our Group has made the relevant contributions in accordance with the aforesaid laws and regulations. Save for the aforesaid, our Group did not participate in any other pension schemes during the Track Record Period.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of the Existing Shareholders of our Company passed on 26 September 2016. The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group. This will be in accordance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed “Statutory and General Information – E. Share option scheme” in Appendix V to this prospectus.

SHARE CAPITAL

SHARE

The share capital of our Company immediately following completion of the Placing is set out in the table below. The table is prepared on the basis of the Placing becoming unconditional and the issue of Placing Shares pursuant thereto is made as described herein. It takes no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

<i>Authorised share capital</i>		<i>HK\$</i>
2,000,000,000 Shares		20,000,000
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Placing:</i>		
10,000 Shares in issue as at the date of this prospectus		100
Shares to be issued pursuant to the Capitalisation		
959,990,000 Issue		9,599,900
<u>320,000,000</u> Shares to be issued pursuant to the Placing		<u>3,200,000</u>
<i>Total:</i>		
<u>1,280,000,000</u> Shares		<u>12,800,000</u>

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 320,000,000 Placing Shares represent 25% of the issued share capital of our Company upon Listing.

RANKING

The Placing Shares will rank *pari passu* in all respects with all the Shares now in issue or to be allotted and issued as mentioned in this Prospectus and will qualify for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the Listing Date.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the section headed “Statutory and General Information – E. Share option scheme” in Appendix V to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the Placing becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Placing (not including Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to the paragraph headed “General mandate to repurchase shares” in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders at a general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our Shareholders passed on 26 September 2016” in Appendix V to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Placing becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following the completion of the Placing (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on GEM, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed “Statutory and General Information – A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix V to this prospectus.

The general mandates to issue and repurchase Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable law of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting,

For further details of this general mandate, please refer to the section headed “Statutory and General Information – A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in “Appendix IV – Summary of the Constitution of our Company and Cayman Islands Company Law” to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, the following persons will, immediately following completion of the Placing (without taking into account any Shares which may be taken up under the Placing, and Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries:

Long position in the Shares

Name	Capacity/nature	Number of Shares held/ interested immediately following completion of the Placing	Percentage of shareholding immediately following completion of the Placing
Classic Line	Beneficial owner	720,000,000	56.25%
Mr. Liu (<i>note 1</i>)	Interest of a controlled corporation	720,000,000	56.25%
Good Vision	Beneficial owner	144,000,000	11.25%
Tang Palace (<i>note 2</i>)	Interest of a controlled corporation	144,000,000	11.25%
Tang Palace (China) Holdings Limited (<i>note 3</i>)	Interest of a controlled corporation	144,000,000	11.25%

Notes:

1. Mr. Liu beneficially owns the entire issued share capital of Classic Line. Therefore, Mr. Liu is deemed or taken to be interested in all the Shares held by Classic Line for the purpose of the SFO. Mr. Liu is the sole director of Classic Line.
2. Tang Palace beneficially owns the entire issued share capital of Good Vision. Therefore, Tang Palace is deemed or taken to be interested in all the Shares held by Good Vision for the purpose of the SFO. Mr. Chan Man Wai is the sole director of Good Vision.
3. Tang Palace (China) Holdings Limited (Stock Code: 1181), a company listed on the Main Board of the Stock Exchange, beneficially owns the entire issued share capital of Tang Palace. Therefore, Tang Palace (China) Holdings Limited is deemed, or taken to be, interested in all the Shares in which Tang Palace is interested for the purpose of the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Placing (without taking into account any Shares which may be taken up under the Placing, and Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to the section headed “Statutory and General Information – A. Further information about our Company” in Appendix V to this

SUBSTANTIAL SHAREHOLDERS

prospectus), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

FINANCIAL INFORMATION

You should read the following discussion and analysis with (i) our combined financial information, including the notes thereto, as of and for the two years ended 31 March 2015 and 2016 included in the Accountant's Report of our Group set out in Appendix I to this prospectus. The Accountant's Reports' Report has been prepared in accordance with HKFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis and other parts of this prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance that involves risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the sections headed "Forward-Looking Statements" and "Risk Factors" in this prospectus.

Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

OVERVIEW

We are a food ingredients supplier with a focus on the provision of vegetables and fruits to food service operators in Hong Kong. Founded in 2005, we have over 10 years of experience in conducting business of food processing and supply of vegetables, fruits and other food ingredients. Our customers approach us for processed food ingredients as it allows our customers to prepare dishes with reduced kitchen staff, thus saving them manpower and time needed in food preparation. We also provide fruits procurements, screening and sorting services to our customers. In addition, we also source groceries and specialty food ingredients for our customers upon their requests. During the Track Record Period, we supplied food ingredients to over 700 customer outlets and we offered more than 1,300 types of food ingredients to our customers.

We conduct our operation and food processing procedures mainly at our factory located in Shatin, New Territories. Our factory is equipped with machines and equipment for food processing. In addition, we have four vehicles used for delivery and we also engage external third-party logistic service providers to ensure that we are able to deliver food ingredients timely to the locations designated by our customers.

During the Track Record Period, we have generated revenue of approximately HK\$152,286,000 and HK\$166,230,000 respectively, of which approximately HK\$126,843,000 and HK\$139,610,000, representing approximately 83.3% and 84.0% of our total revenue were generated from the provision of vegetables to our customers. Approximately HK\$25,443,000 and HK\$26,620,000, representing approximately 16.7% and 16.0% of our total revenue, were generated from sales of fruits and other food ingredients.

FINANCIAL INFORMATION

BASIS OF PREPARATION

Our Company was incorporated in the Cayman Islands on 6 April 2016 as an exempted company with limited liability. To rationalise the corporate structure in the preparation of the Placing, we underwent the Reorganisation as detailed in the section headed “History, Development and Reorganisation” in this prospectus.

Our Directors have adopted the HKFRSs in the preparation of the combined financial information of our Company and our subsidiaries now comprising our Group for the Track Record Period.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and we believe will continue to be, affected by a number of factors, including those as set forth below.

Price of fresh vegetables and fruits

As a food ingredients supplier with a focus on the provision of fresh vegetables and fruits to food service operators in Hong Kong, our profitability is affected by fluctuations in the price of fresh vegetables and fruits. Factors affecting costs of fresh vegetables and fruits include, among other things, the quality, supply and demand, historical price trend, seasonality, labour costs and exchange rate. For the years ended 31 March 2015 and 2016, our costs of raw materials accounted for approximately 79.0% and 78.6% of our total costs of sales, respectively.

In general, the price of our fresh vegetables and fruits is determined on a “cost-plus” basis, comprising the price of the raw materials, the labour and processing costs and the transportation costs. We regularly monitor the costs of fresh vegetables and fruits and revise our selling price to reflect any fluctuations in the costs of the fresh vegetables and fruits we purchase. As a result of our “cost-plus” pricing strategy and the measures we adopted, our Directors believe that we can pass on part of the increase in purchase costs of raw materials to our customers.

Demand for our fresh vegetables and fruits

The market demand for fresh vegetables and fruits from food service operators in Hong Kong is one of the key factors impacting the selling price of our products, which in turn impacts our revenue. According to the Euromonitor Report, the demand for fresh vegetables and fruits from food service operators in Hong Kong increased by approximately 25.5% between 2011 and 2015 in terms of value. As a result, our revenue increased during the Track Record Period from approximately HK\$152,286,000 for the year ended 31 March 2015 to HK\$166,230,000 for the year 31 March 2016. We believe that fluctuations in demand for fresh vegetables and fruits from food service operators in Hong Kong will continue to affect our revenue in the future.

FINANCIAL INFORMATION

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain critical accounting policies and estimates that are significant to the preparation of our combined financial information and important for an understanding of our financial position and results of operation. Our significant accounting policies are set forth in note 2 to the Accountant's Report set out in Appendix I to this prospectus.

Accounting estimates are those that require management to exercise judgement and make estimates that could yield materially different results if management were to apply different assumptions or make different estimates.

We adopt accounting policies and make estimates that our Directors believe are most appropriate in the circumstances for the purpose of giving a true and fair view of our results and financial position. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. When reviewing our combined financial information, you should consider (i) our selection of critical accounting policies; (ii) the judgement and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the most complex and sensitive judgements, because of their significance to our results of operations and financial condition, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results in these areas could differ from our estimates. The critical accounting policies and estimates we have adopted are described below.

Revenue recognition

We recognise revenue from the sales of food ingredients, net of discounts and returns when the risk and title of the goods has been transferred to the customer's warehouse or its designated place of operations, which is usually at the date when we have delivered the food ingredients to the customer and received the customer's acceptance of the food ingredients, on the conditions that (i) our Group retains neither continuing involvement to the degree usually associated with ownership nor effective control over the food ingredients sold; (ii) the amount of revenue can be measured reliably; (iii) it is probable that the economic benefits associated with the transaction will flow to our Group; and (iv) the costs incurred or to be incurred in respect of the transaction can be measured reliably. We assess our estimates of returns, which principally relate to our direct sales to key accounts, on historical results and the specifics of each arrangement.

Our revenue recognition policy is set forth in note 2 in the Accountant's Report set out in Appendix I to this prospectus.

Useful lives of property, plant and equipment

Our Group's management determines the estimated useful lives and related depreciation charges for our property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

FINANCIAL INFORMATION

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Value of technically obsolete machinery and equipment that have been abandoned or sold is written-off.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Selling and administrative expenses" in the combined statements of comprehensive income.

Our accounting policy for property, plant and equipment is set forth in note 2 in the Accountant's Report set out in Appendix I to this prospectus.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Our accounting policy for inventories is set forth in note 2 in the Accountant's Report set out in Appendix I to this prospectus.

Current and deferred income tax

Our Group is subject to income taxes in Hong Kong. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax assets and liabilities are determined using tax rates that are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled. The expected applicable tax rate is determined based on the enacted tax laws and regulations and the actual situation of our Group. The management of our Group will revise the expectation where the intending tax rate is different from the original expectation.

Our accounting policy for taxation is set forth in note 2 in the Accountant's Report set out in Appendix I to this Prospectus.

FINANCIAL INFORMATION

PRINCIPAL COMPONENTS OF OUR COMBINED STATEMENTS OF COMPREHENSIVE INCOME

The following discussion addresses the principal trends that have affected our results of operations during the Track Record Period and should be read in conjunction with the combined financial information during the Track Record Period as set forth in the Accountant's Report, the text of which is set forth in Appendix I to this prospectus. The following table sets forth selected financial data from our combined statements of comprehensive income for the periods indicated:

	Year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	152,286	166,230
Cost of sales	<u>(131,882)</u>	<u>(140,465)</u>
Gross profit	20,404	25,765
Other income	98	123
Selling and administrative expenses	<u>(9,685)</u>	<u>(11,593)</u>
Operating profit	<u>10,817</u>	<u>14,295</u>
Finance income	1	1
Finance costs	<u>(387)</u>	<u>(587)</u>
Finance costs – net	<u>(386)</u>	<u>(586)</u>
Profit before income tax	10,431	13,709
Income tax expense	<u>(1,678)</u>	<u>(2,636)</u>
Profit and total comprehensive income for the year attributable to owner of our Company	<u><u>8,753</u></u>	<u><u>11,073</u></u>

FINANCIAL INFORMATION

Revenue

We generate revenue primarily from sourcing, processing and supplying food ingredients to food service operators in Hong Kong. The table below sets out our revenue and sales volume by product category for the Track Record Period:

Product type	Year ended 31 March 2015				Year ended 31 March 2016			
	Percentage	Sales	Average	Average	Percentage	Sales	Average	Average
	of total				of total			
Revenue	sales	volume	price	Revenue	sales	volume	price	
<i>HK\$'000</i>	<i>%</i>	<i>tonne</i>	<i>HK\$ per kg</i>	<i>HK\$'000</i>	<i>%</i>	<i>tonne</i>	<i>HK\$ per kg</i>	
Vegetables	126,843	83.3	9,593	13.2	139,610	84.0	9,832	14.2
Fruits	19,509	12.8	1,056	18.5	20,315	12.2	1,009	20.1
Other food ingredients <i>(note)</i>	<u>5,934</u>	<u>3.9</u>	N/A	N/A	<u>6,305</u>	<u>3.8</u>	N/A	N/A
Total	<u>152,286</u>	<u>100.0</u>			<u>166,230</u>	<u>100.0</u>		

Note: Other food ingredients comprise eggs, flour products, dried foods and other groceries.

Vegetables contributed the largest share of our revenue, which accounted for 83.3% and 84.0% for the years ended 31 March 2015 and 2016, respectively. Sales of fruits made up 12.8% and 12.2% of our revenue for the years ended 31 March 2015 and 2016, respectively.

The average selling price of our products increased during the years ended 31 March 2015 and 2016 mainly due to (i) the increase in our average cost of processing including the average cost of raw materials and average transposition costs according to our cost-plus model; and (ii) the increase in our markup as reflected in the increase in our gross margin as explained under the paragraph headed “Period to Period Comparison of Results of Operations – Gross profit” in this section.

The table below sets forth our sales by customer types for the Track Record Period:

	Year ended 31 March 2015		Year ended 31 March 2016	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Restaurants	118,467	77.8	129,748	78.1
Schools	10,860	7.1	11,554	7.0
Bakery and coffee shops	5,879	3.8	6,731	4.0
Hospitals	1,790	1.2	1,510	0.9
Hotels	1,326	0.9	1,509	0.9
Other catering service providers <i>(note)</i>	<u>13,964</u>	<u>9.2</u>	<u>15,178</u>	<u>9.1</u>
Total	<u>152,286</u>	<u>100.0</u>	<u>166,230</u>	<u>100.0</u>

Note: Other catering service providers mainly included food factories of the food service operators.

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During the years ended 31 March 2015 and 2016, we generated approximately HK\$120,733,000 and HK\$134,487,000, representing 79.3% and 80.9% of our revenue, from our direct sales to customers. Sales via independent marketing companies and sales representatives amounted to approximately HK\$31,553,000 and HK\$31,743,000 which made up the remaining 20.7% and 19.1% of our sales for the years ended 31 March 2015 and 2016, respectively.

Cost of sales

Our cost of sales mainly consists of cost of raw materials, direct labour costs, freight and transportation expenses, depreciation of property, plant and equipment, commission and other processing costs.

The table below sets forth our cost of sales by product categories for the periods indicated, both in actual terms and as a percentage of total cost of sales:

	Year ended 31 March 2015		Year ended 31 March 2016	
	Cost of sales <i>HK\$'000</i>	Percentage of total cost of sales %	Cost of sales <i>HK\$'000</i>	Percentage of total cost of sales %
Vegetables	109,557	83.1	118,230	84.2
Fruits	16,977	12.9	16,631	11.8
Other food ingredients	5,348	4.0	5,604	4.0
Total	<u>131,882</u>	<u>100.0</u>	<u>140,465</u>	<u>100.0</u>

The following table sets forth the breakdown of components of our cost of sales for the years ended 31 March 2015 and 2016:

	Year ended 31 March 2015		Year ended 31 March 2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Raw materials	104,146	79.0	110,356	78.6
Packaging materials	521	0.4	723	0.5
Direct labour costs (note 1)	8,642	6.5	9,912	7.1
Freight and transportation expenses	14,868	11.3	16,186	11.5
Depreciation	1,048	0.8	747	0.5
Commission	1,366	1.0	1,278	0.9
Other processing costs (note 2)	1,291	1.0	1,263	0.9
Total	<u>131,882</u>	<u>100.0</u>	<u>140,465</u>	<u>100.0</u>

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Notes:

1. Direct labour costs includes the costs incurred for self-employed individuals amounted to HK\$1,874,000 and HK\$3,214,000 for the two years ended 31 March 2015 and 2016, respectively.
2. Other processing costs primarily include rent, rates and building management fees and utilities.

Cost of raw materials, which mainly includes fresh vegetables and fruits, formed the largest component of our cost of sales, representing 79.0% and 78.6%, respectively, of our total cost of sales for the two years ended 31 March 2015 and 2016.

Gross profit

The table below sets forth our gross profit and gross margin by each of our product categories for the Track Record Period:

	Year ended 31 March 2015		Year ended 31 March 2016	
	Gross profit <i>HK\$'000</i>	Gross margin %	Gross profit <i>HK\$'000</i>	Gross margin %
Vegetables	17,286	13.6	21,380	15.3
Fruits	2,532	13.0	3,684	18.1
Other food ingredients	586	9.9	701	11.1
Total	20,404	13.4	25,765	15.5

During Track Record Period, over 80% of our gross profit are contributed by our sales of vegetables. Given that, when compared to other food ingredients, our vegetables and fruits are sold to our customers after series of inputs, such as sourcing, grading and further processing, a higher markup is generally charged for supplying vegetables and fruits and a higher gross margin is resulted. In addition, fruits ordered from most of our customers are often supplementary in nature and accounted for a small portion of their procurement, they are generally willing to pay at a slightly higher price for a more secured quality and services.

Selling and administrative expenses

Selling and administrative expenses mainly consist of employee expenses and benefits with respect to sales and administrative personnel, directors' emoluments, depreciation, office expenses motor vehicle expenses, listing expenses and other miscellaneous administrative expenses.

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The table below sets forth our selling and administrative for the periods as indicated:

	Year ended 31 March 2015		Year ended 31 March 2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Employee expenses and benefits	4,210	43.5	4,315	37.2
Directors' emoluments	1,332	13.8	1,503	13.0
Depreciation	445	4.6	567	4.9
Office expenses	1,420	14.7	1,031	8.9
Motor vehicle expenses	559	5.8	584	5.0
Listing expenses	–	–	2,481	21.4
Other administrative expenses (<i>note</i>)	<u>1,719</u>	<u>17.6</u>	<u>1,112</u>	<u>9.6</u>
Total	<u>9,685</u>	<u>100.0</u>	<u>11,593</u>	<u>100.0</u>

Note: Other administrative expenses include travelling and entertainment, bank charges, insurance, advertising and promotion expenses, professional fees, and other sundry expenses.

Finance costs

Finance costs consist of interest expenses on bank borrowings.

Income tax expenses

Income tax expenses primarily consist of provision for current income tax expenses incurred in Hong Kong. During the Track Record Period, all of our Group's revenue was derived from Hong Kong and our Group was subject to profits tax in Hong Kong. During the two years ended 31 March 2015 and 2016, the effective tax rate of our Group was approximately 16.1% and 19.2%, respectively. The increase of the effective tax rate was mainly due to the listing expenses incurred for the Listing which are not deductible for taxation.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2016 compared to the year ended 31 March 2015

Revenue

Our revenue increased by 9.2% to approximately HK\$166,230,000 for the year ended 31 March 2016, primarily attributable to the increase in our sales on vegetables products, which is driven by (i) the expansion in the customer outlet we served from 708 to 724; and (ii) the increase in average sales per customer of 6.7% mainly due to the increase of average cost of vegetables and fruits of 4.2% and a slight increase in the markup according to our cost-plus model.

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Cost of sales

Our cost of sales increased by 6.5% to approximately HK\$140,465,000 for the year ended 31 March 2016 mainly due to the increase in our sales volume, the higher average cost of vegetables and fruits and the increase in freight and transportation expenses to support the higher business volume.

Cost of raw materials increased by 6.0% to approximately HK\$110,356,000 for the year ended 31 March 2016. Such increase is generally in line with the rate of increase in the cost of sales. During the Track Record Period, the cost of raw materials accounted for 79.0% and 78.6% of our total cost of sales, respectively.

Gross profit and gross margin

Our gross profit increased by approximately HK\$5,361,000 or 26.3% from approximately HK\$20,404,000 for the year ended 31 March 2015 to approximately HK\$25,765,000 for the year ended 31 March 2016 and our gross margin also increased from approximately 13.4% for the year ended 31 March 2015 to approximately 15.5% for the year ended 31 March 2016. The increase in gross profit was mainly due to (i) the gross profit contributed by the increase in the sales quantities of our food ingredients, mainly on vegetables products, in 2016; and (ii) the increase in our gross margin of our vegetables and fruits as discussed below.

Vegetables

Gross profit of our sales of vegetables increased by approximately HK\$4,093,000 or approximately 23.7% from approximately HK\$17,286,000 for the year ended 31 March 2015 to approximately HK\$21,379,000 for the year ended 31 March 2016, which was mainly attributable to the increase in the sales of vegetables as discussed above in this section and an increase in the gross margin of supplying vegetables. Gross margin of our sales of vegetables increased from approximately 13.6% for the year ended 31 March 2015 to approximately 15.3% for the year ended 31 March 2016, which was mainly because our Group has increased the average markup charged by us to our customers. Our Group considers that the higher gross margin of supplying vegetables achieved is mainly attributable to (i) the increased portion of heavier processed and specialty vegetables sales such as graded, unskinned or cutted vegetables as requested by our customers; and (ii) the increased efforts in procurement, such as recruitment of an additional experienced procurement staff, which allowed us to procure a wider variety of premium and specialty vegetables such as greenhouse vegetables, premium fungus, and specialty salad vegetables, herbs and spices by placing orders directly with overseas suppliers, which are mainly from U.S., Australia, Vietnam and the Netherlands in order to capture the layer of profit margin used to be earned by the local importers. Our procurement staff have monitored and negotiated prices with our suppliers more frequently to grant us a larger bargaining power over our suppliers and to alleviate the impact of the increasing market price of our raw materials.

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Fruits

Gross profit of our sales of fruits increased by approximately HK\$1,152,000 or approximately 45.5% from approximately HK\$2,532,000 for the year ended 31 March 2015 to approximately HK\$3,684,000 for the year ended 31 March 2016, which was mainly attributable to the increase in the gross margin of supplying fruits. Gross margin of our sales of fruits increased from approximately 13.0% for the year ended 31 March 2015 to approximately 18.1% for the year ended 31 March 2016, which was mainly attributable to our increased efforts in procurement, allowing us to source overseas fruits more flexibly and control cost effectively by placing orders directly with overseas suppliers, which are mainly from U.S., Australia, New Zealand and the Netherlands; and granting us a larger bargaining power over our suppliers by reviewing the market price of raw materials more frequently. Given that fruits ordered from most of our customers are often supplementary in nature and accounted for a small portion of their procurement, they are generally willing to pay at a slightly higher price for purchasing fruits from us, instead of other suppliers, for a more secured and quality services and convenience.

Other food ingredients

Gross profit of our sales of other food ingredients increased by approximately HK\$115,000 or approximately 19.7% from approximately HK\$586,000 for the year ended 31 March 2015 to approximately HK\$701,000 for the year ended 31 March 2016, which was mainly attributable to the increase in the gross margin of supplying these ingredients from approximately 9.9% for the year ended 31 March 2015 to approximately 11.1% for the year ended 31 March 2016, which was mainly attributable to the increased bargaining power of our Group over our suppliers by reviewing the market price of raw materials more frequently.

Selling and administrative expenses

Our selling and administrative expenses increased by approximately HK\$1,908,000 or approximately 19.7% from approximately HK\$9,685,000 for the year ended 31 March 2015 to approximately HK\$11,593,000 for the year ended 31 March 2016. Such increase was mainly due to the listing expenses of approximately HK\$2,481,000 which was recognised in our Group's profit and loss for the year ended 31 March 2016, albeit we incurred less travelling and entertainment expenses by approximately HK\$394,000 and less office expenses by approximately HK\$389,000.

FINANCIAL INFORMATION

Finance costs

Our Group incurred finance costs of approximately HK\$587,000 for the year ended 31 March 2016 or representing an increase of 51.7% from approximately HK\$387,000 for the year ended 31 March 2015. The increase in finance costs was mainly attributable to increase in average bank borrowings balance during the year ended 31 March 2016.

Income tax expenses

Our income tax expense increased by approximately HK\$958,000 or 57.1% from approximately HK\$1,678,000 for the year ended 31 March 2015 to approximately HK\$2,636,000 for the year ended 31 March 2016. Our effective tax rate increased from 16.1% for the year ended 31 March 2015 to 19.2% for the year ended 31 March 2016. The increase in income tax expenses was mainly attributable to the increase in the profit before income tax while the increase in effective tax rate was mainly attributable to certain listing expenses incurred not being tax deductible.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately HK\$2,320,000 or 26.5% from approximately HK\$8,753,000 for the year ended 31 March 2015 to HK\$11,073,000 for the year ended 31 March 2016. Our net profit margin increased from approximately 5.7% for the year ended 31 March 2015 to approximately 6.7% for the same period of 2016. The increase in our Group's profit for the year was mainly due to the increase in our gross profit while partially offset by the increase in selling and administrative expenses as discussed above.

FINANCIAL INFORMATION

INDEBTEDNESS

Borrowings

The following table sets forth our Group's interest-bearing borrowings as at the dates indicated:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 July 2016 <i>HK\$'000</i> <i>(Unaudited)</i>
Non-current, secured			
Other bank borrowings	62	–	–
Finance lease obligation (non-current portion)	–	266	238
	62	266	238
Current, secured			
Long term bank borrowings subject to a repayment on demand clause	19,729	18,629	19,010
Other bank borrowings	1,178	62	–
Finance lease obligation (current portion)	–	80	82
	20,907	18,771	19,092
	20,969	19,037	19,330

As at 31 March 2015 and 31 March 2016, our Group had borrowings of approximately HK\$20,969,000 and HK\$19,037,000, respectively which were all denominated in Hong Kong Dollars. Our bank borrowings and finance lease bore interest ranged from approximately 1.6% to approximately 5.3% per annum, and approximately 2.5% to approximately 5.3% per annum for the two years ended 31 March 2016, respectively. The weighted average interest rates are approximately 3.3% and 2.8% as at 31 March 2015 and 2016, respectively. As at 31 July 2016, being the latest practicable date for determining indebtedness, our Group had borrowings of approximately HK\$19,330,000, in line with the level of borrowings during the Track Record Period.

Our Group's bank borrowings were primarily used in financing the working capital requirement of our operations and the purchase of the existing premises, while our liability of the finance lease obligations was for the acquisition of motor vehicles to support our operations. During the Track Record Period, our Group's borrowings were secured/guaranteed by (i) joint guarantee executed by Mr. Liu, Mr. Chan Kam Cheong, and Healthy Cheer; (ii) properties held by our Group; (iii) a motor vehicle with net book value of HK\$341,000 as at 31 March 2016; and (iv) personal guarantee executed by Mr. Liu.

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As at the Latest Practicable Date, our Group has refinanced its borrowings by repaying the original bank loans at higher interest rates with the newly drawn bank loans at lower interest rates. As a result of the refinancing, the joint guarantee executed by Mr. Liu, Mr. Chan Kam Cheong, and Healthy Cheer was released and replaced by joint guarantee executed by Mr. Liu and Ms. Wu. Our Group will release and replace the joint guarantee by Mr. Liu and Ms. Wu and the personal guarantee by Mr. Liu with the corporate guarantee of our Company upon Listing.

As at 31 March 2015, 31 March 2016 and 31 July 2016, our Group had unutilised banking facilities amounted to HK\$6,000,000, HK\$6,000,000 and nil, respectively. The decrease in unutilised banking facilities was mainly due to the cancellation of an overdraft facility with a bank as part of the termination of banking facilities in relation to the repayment of the bank loans.

As confirmed by our Directors, our Group had not defaulted or delayed any payment, and/or breached any of the finance covenants of our banking facilities during the Track Record Period and up to the Latest Practicable Date. For details of our borrowings, please refer to note 20 to the financial information in the Accountant's Report set out in Appendix I to this prospectus.

COMMITMENTS

Operating leases

As at 31 March 2015, 31 March 2016 and 31 July 2016, operating lease commitments represent rental payable by our Group in respect of our processing facilities, parking lots and director quarter under non-cancellable operating leases amounting to approximately HK\$1,192,000, HK\$922,000 and HK\$875,000, respectively as follows:

	As at 31 March 2015	As at 31 March 2016	As at 31 July 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>
– No later than 1 year	484	478	459
– Later than 1 year and no later than 5 years	708	444	292
	<u>1,192</u>	<u>922</u>	<u>751</u>

Our Group has no other material commitments as at 31 March 2015, 31 March 2016 and 31 July 2016.

Contingent liabilities

As at 31 March 2015, 31 March 2016 and 31 July 2016, there were no material contingent liabilities relating to our Group.

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Disclaimer

Our Directors confirm that (i) our Group has not experienced any difficulty in obtaining bank borrowings or any default in payment on bank borrowings or any breach of finance covenants during the Track Record Period and up to the Latest Practicable Date; (ii) there has not been any material change in our indebtedness and contingent liabilities since 31 July 2016 and up to the Latest Practicable Date; (iii) our Directors are not aware of any material defaults in payment of our trade and non-trade payables and bank borrowings during the Track Record Period and up to the Latest Practicable Date; (iv) the bank loans and bank facilities are subject to standard banking conditions; and (v) our Group has not received any notice from banks indicating that they might withdraw or downsize the bank loans or bank facilities and none of our Group's bank borrowings and facilities are subject to the fulfillment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financings.

Save as disclosed in paragraph headed "Indebtedness" in this section, we did not have, at the close of business on 31 July 2016, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Our Directors confirm that our Group has not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder's equity, or that are not reflected in our combined financial information. We do not have any variable interests in any uncombined entity that provides financing, liquidity or credit support to us, or engages in leasing, hedging or research and development services with us.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Overview

Our principal liquidity and capital requirements primarily relate to capital expenditures for the purchase of property, plant and equipment. We have historically met our working capital and other liquidity requirements principally from cash generated from our operations, bank borrowings and equity contributions from shareholders. Going forward, we expect to fund our foreseeable working capital, capital expenditures and other capital requirements with a combination of various sources, including cash generated from our operations, bank borrowings and the Placing.

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Cash flow

The following table sets forth the selected cash flow data from the combined statements of cash flows for the period as indicated. This information should be read together with the combined financial information contained in the Accountant's Report in Appendix I to this prospectus.

	Year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	11,002	3,486
Net cash used in investing activities	(7,673)	(8,146)
Net cash generated from/(used in) financing activities	<u>8,055</u>	<u>(2,915)</u>
Net increase/(decrease) in cash and cash equivalents	11,384	(7,575)
Cash and cash equivalents at beginning of the year	<u>5,670</u>	<u>17,054</u>
Cash and cash equivalents at end of the year	<u><u>17,054</u></u>	<u><u>9,479</u></u>

Cash flow from operating activities

During the Track Record Period, we derived our cash from operating activities principally from the sales proceeds received from our customers for the provision of food ingredients. Our cash used in operating activities was mainly related to the payments for purchase costs of our sales products, payment of commission to the marketing companies and sales representatives, payment of labour cost, rent of our leased properties and other selling and administrative expenses.

Net cash generated from operating activities reflects our profit before income tax deducted by interests and income tax paid during the period and adjusted for non-cash items such as depreciation of property, plant and equipment, and the effects of changes in working capital items.

For the year ended 31 March 2015, we had net cash generated from operating activities in the amount of approximately HK\$11,002,000. This was primarily due to cash generated from operations of approximately HK\$12,129,000, which was mainly attributable to our profit before tax of HK\$10,431,000 adjusted for depreciation of property, plant and equipment of HK\$1,493,000.

For the year ended 31 March 2016, we had net cash generated from operating activities in the amount of approximately HK\$3,486,000. This was primarily due to cash generated from operations of approximately HK\$7,331,000, partially offset by income tax paid amounted to approximately HK\$3,258,000 and interest paid of HK\$587,000. The movement in working capital for the year was mainly attributable to (i) increase in trade receivables of approximately HK\$3,621,000, mainly due to the strong fourth quarter sales for the year ended 31 March 2016, which was 15.2% higher than the corresponding period for the year

FINANCIAL INFORMATION

ended 31 March 2015, driven by the expansion of our customer base and higher selling price for vegetables and fruits due to the unstable weather at the relevant time; and (ii) decrease in trade payables of approximately HK\$3,566,000, mainly due to an early installment payment made in relation to purchases from our largest supplier in March 2016 as requested by the supplier because of the fluctuation of vegetables and fruits prices amid the unstable weather at the relevant time. Our Directors considered the early payment request to be reasonable and acceptable in view of the long-term business relationship with the supplier and the market condition at that time.

The decrease in cash flow from operating activities for the year ended 31 March 2016, as compared to that in the prior year, was mainly attributable to (i) the portion of listing expenses charged to profit or loss of our Group for the year ended 31 March 2016 of approximately HK\$2,481,000; and (ii) the increase in trade receivables and decrease in trade payables as discussed above.

Generally, we are not subject to cash flow mismatch. We generally grant a credit period of 0 to 90 days to our customers, and our average trade receivables turnover days were 55.6 days and 55.2 days for the two years ended 31 March 2015 and 2016, respectively. The average credit period granted to us by our major suppliers ranged from 10 to 120 days, and our trade payables turnover days were 85.9 days and 76.3 days for the two years ended 31 March 2015 and 2016, respectively.

Cash flow from investing activities

For the year ended 31 March 2015, we had net cash used in investing activities in the amount of approximately HK\$7,673,000. This was mainly because of the increase in amount due from Mr. Liu of approximately HK\$7,226,000, and the purchase of property, plant and equipment of approximately HK\$477,000 in relation to the acquisition of a motor vehicle and equipment to support our operations.

For the year ended 31 March 2016, we had net cash used in investing activities in the amount of approximately HK\$8,146,000. This was primarily due to the increase in amount due from Mr. Liu of approximately HK\$7,904,000, and the prepayment of property, plant and equipment of approximately HK\$200,000 in relation to a new information technology system to improve the efficiency of our operations.

Cash flow from financing activities

For the year ended 31 March 2015, our net cash generated from financing activities amounted to approximately HK\$8,055,000. This was primarily attributable to (i) new banking borrowings raised of approximately HK\$21,400,000 to finance our working capital; (ii) repayments of bank borrowings of approximately HK\$13,258,000; and (iii) repayments of finance lease obligations of approximately HK\$87,000. Further details of the borrowings are set out in the paragraph headed “Indebtedness” in this section.

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For the year ended 31 March 2016, our net cash used in financing activities amounted to approximately HK\$2,915,000. This was primarily due to (i) repayments of bank borrowings of approximately HK\$2,278,000; (ii) repayments of finance lease obligations of approximately HK\$76,000; and (iii) prepayment of listing expenses of approximately HK\$661,000.

Financial resources

Prior to the completion of the Placing, our Group's operations and investments will be financed principally by revenues generated from business operation and bank facilities. As at 31 March 2016, we had cash and cash equivalents of approximately HK\$9,479,000.

We intend to finance our Group's future operations, capital expenditures and other capital requirements with the revenues generated from business operations, bank balances available, bank borrowings and the net proceeds from the Placing.

NET CURRENT ASSETS

The following table sets forth the breakdown of our Group's current assets and current liabilities as of the dates indicated below:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 July 2016 <i>HK\$'000</i> <i>(Unaudited)</i>
Current assets			
Inventories	295	863	633
Trade receivables	23,316	26,955	24,060
Deposits and prepayments	166	1,478	2,441
Amount due from Mr. Liu	8,108	16,012	7
Cash and cash equivalents	17,054	9,479	9,691
	48,939	54,787	36,832
Current liabilities			
Trade payables	31,158	27,592	23,638
Accruals and other payables	2,756	2,902	4,255
Borrowings	20,907	18,771	19,092
Dividend payable	–	–	1,000
Current income tax liabilities	1,675	1,179	1,780
	56,496	50,444	49,765
Net current (liabilities)/assets	(7,557)	4,343	(12,933)

FINANCIAL INFORMATION

Our net current assets or liabilities represent the difference between our total current assets and total current liabilities.

Our current assets comprised inventories, trade receivables, deposits and prepayments, amount due from Mr. Liu, and cash and cash equivalents. Our current liabilities comprised trade payables, accruals and other payables, borrowings, and current income tax liabilities. Included in our borrowings, bank loans amounted to approximately HK\$19,729,000 and approximately HK\$18,629,000 which were due more than 1 year based on agreed repayment schedule as at 31 March 2015 and 2016, respectively, but were reported as current liabilities as the loans carried a repayment on demand clause. As at the Latest Practicable Date, our Group has refinanced the borrowings by repaying the original bank loans at higher interest rates with the newly drawn bank loans at lower interest rates. The newly drawn bank loans also carried a repayment on demand clause. Taking into account our Group's financial position and past experience, our Directors do not consider that it is probable that the lending bank will exercise its discretion to demand immediate repayment.

We recorded a net current liabilities position as at 31 March 2015, primarily due to the large amount of capital expenditure invested in the setting up of our existing processing base in Shatin as reported under our non-current assets was funded by bank borrowings with a repayment on demand clause which were reported under our current liabilities. As at 31 March 2016, our Group reported a net current assets position and such improvement was mainly attributable to the earnings generated from our business operation.

As at 31 July 2016, being the latest practicable date of our Group's net current assets position in this prospectus, our Group had net current liabilities of approximately HK\$12,933,000. Our net current liabilities position was primarily attributable to the declaration of HK\$17,000,000 in dividends on 12 May 2016. For detailed information about the declaration of dividends, please refer to the section headed "Financial Information – Dividend and distributable reserves" in this prospectus.

WORKING CAPITAL

Taking into consideration the financial resources available to us including internally generated funds, the available banking facilities and the estimated net proceeds from the Placing, our Directors are of the view and the Sole Sponsor concurs, after due and careful inquiry, that our Group has sufficient working capital for at least 12 months commencing from the date of this prospectus.

FINANCIAL INFORMATION

ANALYSIS OF SELECTED COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

Trade Receivables

The followings set forth our Group's trade receivables as at the dates indicated:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000
Trade receivables	23,375	26,955
Less: provision for impairment of trade receivables	<u>(59)</u>	<u>–</u>
	<u>23,316</u>	<u>26,955</u>

Our trade receivables increased from approximately HK\$23,316,000 as at 31 March 2015 to approximately HK\$26,955,000 as at 31 March 2016. The increase in trade receivables was primarily the result of the strong fourth quarter sales for the year ended 31 March 2016, which was 15.2% higher than that for the year ended 31 March 2015, driven by the expansion of our customer base and higher selling price for vegetables and fruits due to the unstable weather at the relevant time. We generally grant a credit period of 0 to 90 days to our customers. As at the Latest Practicable Date, approximately 97.7% of our trade receivables as at 31 March 2016 were subsequently settled.

Our average trade receivables turnover days, calculated as the average trade receivables at the beginning and end of the period divided by turnover of the period and multiplied by 365 days for each of the years ended 31 March 2015 and 2016 were 55.6 days for the year ended 31 March 2015 and 55.2 days for the year ended 31 March 2016. There was no material changes in our trade receivables turnover days during the Track Record Period. Our average trade receivables turnover days as calculated were within our credit terms generally offered to our customers.

The table below sets forth the ageing analysis of trade receivables by age, presented based on invoice date, which approximates the respective revenue recognition dates:

FINANCIAL INFORMATION

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 30 days	13,324	15,052
31 to 60 days	7,207	8,543
61 to 90 days	1,140	1,988
91 to 120 days	398	276
Over 120 days	<u>1,306</u>	<u>1,096</u>
Total	<u><u>23,375</u></u>	<u><u>26,955</u></u>

Trade receivables due within 1 to 30 days, 31 to 60 days, and 61 to 90 days generally increased as at 31 March 2016 when compared to 31 March 2015 primarily due to increase in our sales in the fourth quarter for the year ended 31 March 2016 as explained above. As at 31 March 2015 and 2016, a small proportion of the trade receivables were due over 120 days, mainly relate to seven and seven customers, respectively, we considered that they had no significant financial difficulty. Our Directors expect that these trade receivables will be settled and our Directors will closely monitor the credit exposure and repayment conditions of the customers.

During the Track Record Period, our Group has made provision of approximately HK\$59,000 and HK\$6,000 for impairment of trade receivables for the two years ended 31 March 2015 and 2016, respectively. Our management determined the provision based on the credit history of our customers and the current market condition. For details of our trade receivables and provision of impairment of trade receivables, please refer to note 16 to the financial information in the Accountant's Report set out in Appendix I to this prospectus.

Trade payables

Our trade payables are primarily from payables related to purchases of raw materials, including fresh vegetables, fruits and other food ingredients. The average credit period granted to us by our major suppliers ranged from 10 to 120 days. Our trade payables were amounted to approximately HK\$31,158,000 and approximately HK\$27,592,000 as at 31 March 2015 and 2016, respectively. The decrease in trade payables balance was primarily due to an early installment payment made in relation to purchases from our largest supplier in March 2016 as requested by the supplier because of the fluctuation of vegetables and fruits prices amid the unstable weather at the relevant time. Our Directors considered the early payment request to be reasonable and acceptable in view of the long-term business relationship with the supplier and the market condition at that time. As at the Latest Practicable Date, all of our trade payables as at 31 March 2016 were subsequently settled.

Our trade payables turnover days, calculated as the average of trade payables at the beginning of the year and trade payables at the end of the year divided by the cost of sales for the same period and multiplied by 365 days for each of the years ended 31 March 2015 and 2016, decreased from 85.9 days for the year ended 31 March 2015 to 76.3 days for the year ended 31 March 2016. Such decrease was mainly due to the early instalment payment made in relation to purchases from our largest supplier as explained above.

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As at 31 March 2015 and 2016, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	9,949	9,652
31 to 60 days	11,982	7,822
61 to 90 days	676	5,485
Over 90 days	<u>8,551</u>	<u>4,633</u>
	<u><u>31,158</u></u>	<u><u>27,592</u></u>

Trade payables due within 1 to 90 days increased slightly as at 31 March 2016 when compared to 31 March 2015 primarily due to increase in our purchase for the year ended 31 March 2016 as explained above. As at 31 March 2016, trade payables due over 90 days decreased for approximately HK\$3,918,000 primarily due to the early repayment made in relation to purchases from our largest supplier in March 2016 as discussed above.

For details of our trade payables, please refer to note 21 to the financial information in the Accountant's Report set out in Appendix I to this prospectus.

Inventories

The table below sets forth a summary of our inventories as at the dates indicated and average inventory turnover days for the periods indicated:

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	295	863
Less: Provision for obsolete inventories	<u>—</u>	<u>—</u>
Inventories, net	<u><u>295</u></u>	<u><u>863</u></u>

Our inventories increased from approximately HK\$295,000 as at 31 March 2015 to HK\$863,000 as at 31 March 2016. The increase in inventories balance was primarily due to the management strategy to increase the stock level in view of the market supply condition amid the unstable and adverse weather condition in February and March in 2016, in order to meet the increasing demand from our customers.

Our inventory turnover days, calculated as the average of inventory at the beginning of the period and inventory at the end of the period divided by the cost of sales for the same period and multiplied by 365 days for each of the years ended 31 March 2015 and 2016, increased from 0.8 days in 2015 to 1.5 days in 2016. The increase mainly reflected the

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management strategy to increase the stock level in February and March in 2016 as explained above. Our Group will continue to maintain inventory levels based on our estimated sales orders and market condition. During the Track Record Period, we did not make any provision to the value of our inventories.

As at the Latest Practicable Date, subsequent usage of inventories amounted to 100% of the inventory balance as at 31 March 2016.

Amount due from the Controlling Shareholder

As at 31 March 2015 and 2016, we had amount due from Mr. Liu of approximately HK\$8,108,000 and approximately HK\$16,012,000, respectively. The amount due from Mr. Liu was non-trade in nature, unsecured, interest-free and repayable on demand. The amount due from Mr. Liu will be fully settled before Listing.

SELECTED KEY FINANCIAL RATIOS

The following table sets out the selected key financial ratios of our Group during the Track Record Period:

	Year ended or as at 31 March	
	2015	2016
Profitability ratios		
Return on assets (<i>note 1</i>)	13.0%	15.2%
Return on equity (<i>note 2</i>)	85.6%	51.8%
Liquidity ratios		
Current ratio (<i>note 3</i>)	0.9	1.1
Quick ratio (<i>note 4</i>)	0.9	1.1
Capital adequacy ratios		
Gearing ratio (<i>note 5</i>)	205.2%	89.0%
Interest coverage (<i>note 6</i>)	28.0	24.4

Notes:

1. Return on assets is calculated based on the net profit for the period divided by the total assets at the end of the respective period, multiplied by 100% for each of the years ended 31 March 2015 and 2016.
2. Return on equity is calculated based on the net profit attributable to the owners of our Company for the period divided by the total equity attributable to the owners of our Company at the end of the respective period, multiplied by 100% for each of the years ended 31 March 2015 and 2016.
3. Current ratio is calculated based on the total current assets at the end of the period divided by the total current liabilities at the end of the respective period.
4. Quick ratio is calculated based on the total current assets (less inventory) at the end of the period divided by the total current liabilities of the respective period.

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5. Gearing ratio is calculated based on the total debt at the end of the period divided by total equity at the end of the respective period. Total debt represents bank and other borrowings and amounts due to related parties not incurred in the ordinary course of business.
6. Interest coverage is calculated based on the net profit before interest and tax for the period divided by the interest expenses for the respective period.

Return on assets

Return on assets for the two years ended 31 March 2015 and 2016 was approximately 13.0% and 15.2%, respectively. The increase was attributable to the higher rate of increase of net profit of approximately 26.5% over the increase of assets of approximately 7.9%. The increase in net profit was mainly due to the increase in gross profit as explained under the paragraph headed “Gross profit” in this section. However, the rate of increase of the assets was lower because the asset base was higher than the net profit base.

Return on equity

Return on equity for the two years ended 31 March 2015 and 2016 was approximately 85.6% and 51.8%, respectively. The decrease was mainly due to the rate of increase in equity base in 2016 by approximately 109.3% resulting from the contribution of net profit for the year ended 31 March 2016 to the retained earnings being higher than the rate of increase in the profit for the year 2016 of approximately 26.5% as compared to 2015.

Current ratio

As at 31 March 2015 and 2016, current ratio was approximately 0.9 and 1.1 respectively. The improvement in current ratio was resulted from (i) the increase in current assets due to the increase in trade receivables from our business operations for the year ended 31 March 2016; and (ii) the decrease in current liabilities due to the early settlement of trade payables with our largest supplier as explained above.

Quick ratio

As at 31 March 2015 and 2016, quick ratio was approximately 0.9 and 1.1 respectively. The increase was mainly attributable to the reasons as explained above in alignment with the improvement in current ratio in 2016 as compared with 2015.

Gearing ratio

Gearing ratio as at 31 March 2015 and 2016 was approximately 205.2% and 89.0%, respectively. The decrease in gearing ratio was mainly attributable to the increase in equity base in 2016 by approximately 109.3% resulting from the contribution of net profit for the year ended 31 March 2016 to the retained earnings.

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Interest coverage

Our Group's interest coverage was approximately 28.0 and 24.4 times for the two years ended 31 March 2015 and 2016, respectively. The decrease in interest coverage ratio in 2016 was mainly due to increase in average level of borrowings and hence our finance costs in 2016 was 51.7% higher than that of 2015, partially offset by increase in profit before tax contributed by higher sales of vegetables and fruits to our customers.

MARKET RISKS

We are exposed to a variety of market risks in the normal course of business, including foreign exchange risk, credit risk, liquidity risk and interest rate risk, as set out below. We regularly monitor our exposure to these risks and as at the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks except for the provision of impairment of trade and other receivables made based on the assessment of the recoverability of the receivables. However, our overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on our financial performance. Our Board is responsible for setting the objectives and underlying principles of financial risk management.

Credit risk

We are exposed to credit risk primarily arising from trade receivables and bank deposits. During the Track Record Period, we have also had credit exposures to amount due from Mr. Liu, which will be fully settled before Listing.

Trade receivables are substantially from local food service operators with good collection track records with us. For trade receivables, we adopt the policy of dealing only with customers of appropriate credit history to mitigate credit risks. We are subject to concentration of credit risk with respect to trade receivables as 40.7% and 45.5% of our total trade receivables were due from our largest five clients of trade receivables as at 31 March 2015 and 2016 respectively. In view of the history of business dealings with the customers and the sound collection history of the receivables due from them, our management believes that there is no material credit risk inherent in our Group's outstanding receivable balances due from these customers. For the year ended 31 March 2015 and 2016, our Group has made provision of impairment of trade receivables amounted to approximately HK\$59,000 and approximately HK\$6,000, respectively based on assessment of the credit history of our customers and the current market condition.

Bank deposits are mainly deposits with banks with good credit ratings assigned by international credit-rating agencies or with good reputation. For bank deposits, we adopt the policy of dealing only with high credit quality counterparties.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of the end of each reporting period in relation to each class of recognised financial assets was the carrying amounts of those assets as stated in our statements of financial position. For details of our credit risk, please refer to note 3.1(a) to the financial information in the Accountant's Report set out in Appendix I to this prospectus.

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Liquidity risk

99.9% and 99.5% of our financial liabilities were due within the next 12 months or carried a repayment on demand clause from the end of each reporting period for the two years ended 31 March 2015 and 2016, respectively. Based on the agreed scheduled repayments set out in the loan agreements of bank borrowings with a repayment on demand clause, 36.7% and 39.0% of our financial liabilities were matured at more than 1 year from the end of each reporting period for the two years ended 31 March 2015 and 2016, respectively. We manage the liquidity risk by maintaining sufficient cash and banking facilities to enable us to meet our normal operating and capital commitments. For details of our liquidity risk, please refer to note 3.1(b) to the financial information in the Accountant's Report set out in Appendix I to this prospectus.

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Interest rate risk

Our interest rate risk relates primarily to our bank deposits and bank borrowings. We currently have not entered into interest rate swaps to hedge against our exposure to changes in fair values of our borrowings. It is our policy to maintain an appropriate level between our deposits and borrowings so as to balance the fair value and cash flow interest rate risk. In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debts. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations. We currently do not use any derivative instruments to manage our interest rate risk. To the extent we decide to do so in the future, there can be no assurance that any future hedging activities will protect us from fluctuations in interest rates.

Foreign exchange risk

Our Group principally engage in the business of food processing and supply of vegetables and fruits to food service operators in Hong Kong, with most of our transactions settled in Hong Kong Dollars. As such, our Directors are of the view that our Group did not have significant exposure to foreign exchange risk during the Track Record Period.

PROPERTY INTERESTS AND VALUATION OF PROPERTY

For the purpose of the listing of the Shares on the Stock Exchange, our property was valued as at 31 August 2016 by BMI Appraisals Limited, an independent professional property valuer. Details of the valuation are summarised in Appendix III to this prospectus. Except for the property interests in Appendix III to this prospectus, no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

There is a net revaluation surplus, representing the excess market value of the property over its carrying amounts, amounted to approximately HK\$38,724,000 of which will not be included in our Group's accounts for the year ending 31 March 2017. In accordance with our accounting policy, all properties are stated at cost less accumulated depreciation. As such, the net revaluation surplus arising from the valuation of property has not been included in the combined statements of financial position under the section headed "Accountant's Report" set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

Disclosure of the reconciliation of the property interests of our Group and the valuation of such property interests as required under Rule 8.30 of the GEM Listing Rules is set out below:

	<i>HK\$'000</i>
Net book value of property as at 31 March 2016 as set out in the Accountant's Report included in Appendix I to this prospectus:	
Land and buildings	17,005
Movements during the five months ended 31 August 2016 (unaudited):	
Depreciation	(229)
Net book value of property as at 31 August 2016	16,776
Valuation surplus	<u>38,724</u>
Valuation as at 31 August 2016 as set out in the Property Valuation Report included in Appendix III to this prospectus	<u><u>55,500</u></u>

DIVIDEND AND DISTRIBUTABLE RESERVES

Our Company does not have any predetermined dividend payout ratio. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. Investors should note that historical dividend distributions are not indicative of our Company's future dividend distribution policy.

On 12 May 2016, C.Y. Food declared a dividend in the sum of HK\$17,000,000 to Mr. Liu, the only existing shareholder at that time. The dividend will be settled by way of offsetting the amount due from Mr. Liu of approximately HK\$15,965,000, and with the remaining balance of approximately HK\$1,035,000 to be settled by cash before Listing.

LISTING EXPENSES

Our Group's financial performance for the year ending 31 March 2017 will be affected by the non-recurring expenses incurred in relation to the Listing. The listing expenses to be borne by our Group are estimated to be approximately HK\$20,661,000 (assuming a Placing Price of HK\$0.2375, being the midpoint of the indicative Placing Price range of HK\$0.225 to HK\$0.25 per Placing Share), of which (i) approximately HK\$6,681,000 is directly attributable to the issue of Placing Shares which is to be accounted for as a deduction from equity; (ii) approximately HK\$2,481,000 has been charged to profit or loss of our Group for the year ended 31 March 2016; and approximately HK\$11,499,000 is to be charged to profit or loss of our Group for the year ending 31 March 2017. Such cost is a current estimate and for reference only. The final amount to be recognised to the profit or loss of our Group or to be capitalised is subject to adjustment based on audit and the changes in variables and assumptions.

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FINANCIAL PERFORMANCE FOR THE YEAR ENDING 31 MARCH 2017

Our Directors consider that our Group's financial performance for the year ending 31 March 2017 would be significantly deteriorated as affected by the increase in the listing expenses and administrative expenses. Listing expenses of approximately HK\$11,499,000 are expected to be charged to the combined statements of comprehensive income for the year ending 31 March 2017. In addition, there will be an expected increase in administrative expenses which is primarily attributable to the increase in Directors' remuneration and other professional fees for the year ending 31 March 2017 arising from the increase in remuneration of our Directors and the appointment of our new independent non-executive Directors and professional parties prior to and after the Listing.

Our Directors are of the opinion that there has been no fundamental deterioration in the commercial and operational viability in our Group's business despite the expected increase in our Directors' remuneration and professional fees and the non-recurring listing expenses.

MATERIAL ADVERSE CHANGE

The impact of the listing expenses on the profit or loss accounts has posted a material adverse change in the financial or trading position or prospect of our Group since 31 March 2016 (being the date of the latest audited combined financial statements were made up). Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the year ending 31 March 2017.

Save as disclosed above, our Directors have confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospect of our Company or its subsidiaries since 31 March 2016 (being the date of which our Group's latest audited combined financial statements were made up as set out in the Accountant's Report in Appendix I to this prospectus) and there had been no event since 31 March 2016 which would materially affect the information shown in the Accountant's Report in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted combined net tangible assets of our Group attributable to the equity holders of our Company which has been prepared for the purpose of illustrating the effect of the Placing as if it had been taken place on 31 March 2016 and based on the audited combined net assets of our Group as at 31 March 2016 as shown in the Accountant's Report set forth in Appendix I to this prospectus and is adjusted as follows:

	Audited combined net tangible assets of our Group attributable to owners of our Company as at 31 March 2016	Estimated net proceeds from the Placing	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of our Company	Unaudited pro forma adjusted combined net tangible assets per Share
	<i>HK\$'000</i> <i>(note 1)</i>	<i>HK\$'000</i> <i>(note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(note 3)</i>
Based on the Placing Price of HK\$0.225 per Share	21,393	53,960	75,353	0.059
Based on the Placing Price of HK\$0.25 per Share	21,393	61,680	83,073	0.065

Notes:

1. The audited combined net tangible assets of our Group attributable to owners of our Company as at 31 March 2016 are based on audited combined net assets of our Group attributable to owners of our Company as at 31 March 2016 of approximately HK\$21,393,000 as shown in the financial information section of the Accountant's Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Placing are based on the Placing Price of HK\$0.225 and HK\$0.25 per Share respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses payable by our Group (excluding approximately HK\$2,481,000 listing-related expenses which have been accounted for prior to 31 March 2016).
3. The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,280,000,000 Shares were in issue assuming that the Placing has been completed on 31 March 2016 but takes no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and any Share which may be issued or repurchased by our Company pursuant to the general mandate to issue Shares or the Repurchase Mandate.
4. The unaudited pro forma net adjusted tangible assets of our Group does not take into account the dividend of approximately HK\$17,000,000 declared by our Group in May 2016. The unaudited pro forma net tangible assets per Share would have been HK\$0.046 and HK\$0.052 per Share based on the Placing Price of HK\$0.225 and HK\$0.25 respectively, after taking into account the declaration of dividend in the sum of approximately HK\$17,000,000.
5. No adjustment has been made to reflect any trading result or other transactions entered into subsequent to 31 March 2016.

UNDERWRITING

UNDERWRITERS

Frontpage Capital Limited

China Industrial Securities International Capital Limited
Quam Securities Company Limited
FP Sino-Rich Securities & Futures Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company will conditionally place the Placing Shares with institutional, professional and other investors at the Placing Price subject to the terms and conditions in the Underwriting Agreement and this prospectus. Subject to, among other conditions, the Listing Division of the Stock Exchange granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Underwriting Agreement being fulfilled, the Lead Manager, the Co-Lead Managers and Underwriters have severally agreed to subscribe for or purchase or procure subscribers or purchasers for their respective applicable proportions of the Placing Shares on the terms and conditions under the Underwriting Agreement and in this prospectus.

Grounds for termination

The Sole Sponsor and/or the Sole Bookrunner (for itself/themselves and on behalf of the Underwriters) shall have the absolute right which is exercisable by the Sole Sponsor and/or the Sole Bookrunner (for itself/themselves and on behalf of the Underwriters), upon giving notice in writing to our Company (for itself and our Controlling Shareholders), to terminate the arrangements set out in the Underwriting Agreement with immediate effect if any of the following events occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be on 13 October 2016):

- (a) it has come to the notice of the Sole Sponsor and/or the Sole Bookrunner that:
 - (i) any statement contained in the Prospectus or other documents issued or used by or on behalf of our Company or information provided to the Sponsor and the Sole Bookrunner in connection with the Placing (the “**Relevant Documents**”), considered by the Sole Sponsor and/or the Sole Bookrunner in its/their absolute opinion was, when it was issued, or has become, or been discovered to be untrue, inaccurate, incorrect or misleading in any material respect;
 - (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sponsor and/or the Sole Bookrunner in its/their absolute opinion to be material in the context of the Placing;

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- (iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreement considered by the Sole Sponsor and/or the Sole Bookrunner in its/their absolute opinion to be material in the context of the Placing (other than upon any of the Underwriters);
 - (iv) either (1) there has been a breach of any of the warranties or provisions of the Underwriting Agreement by our Company or our Controlling Shareholders (collectively, the “**Warrantors**”) or (2) any matter or event showing or rendering any of the warranties contained in the Underwriting Agreement, as applicable, in the absolute opinion of the Sole Sponsor and/or the Sole Bookrunner, to be untrue, incorrect or misleading in any material respect when given or repeated;
 - (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of any of the Warrantors pursuant to the indemnity provisions under the Underwriting Agreement; or
 - (vi) any event, series of events, matter or circumstance occurs or arises on or after the date of this prospectus and prior to 8:00 a.m. on the Listing Date, would have rendered any warranties, in the absolute opinion of the Sole Sponsor and/or the Sole Bookrunner, untrue, incorrect, inaccurate or misleading in any respect;
- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any event, or series of events in the nature of force majeure, including, without limitation, acts of government, explosion, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics in Hong Kong;
 - (ii) any material change or development involving a change or development, or any event or series of events, matters or circumstances likely to result in or represent any material change or development, in the local, national, regional and international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a material fluctuation in the exchange rate of the Hong Kong dollar);
 - (iii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any material change or development involving a prospective material change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the Cayman Islands or BVI (the “**Relevant Jurisdictions**”);

UNDERWRITING

- (iv) the imposition of economic sanctions on Hong Kong;
- (v) a material change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control) in any of the Relevant Jurisdictions;
- (vi) any litigation or claim of importance instigated against any member of our Group or any Director;
- (vii) an executive Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;
- (viii) a valid demand by any creditor for repayment or payment of any material indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;
- (ix) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person);
- (x) any contravention by any member of our Group or any Director of the GEM Listing Rules or any applicable laws;
- (xi) a prohibition on our Company for whatever reason from allotting the Placing Shares pursuant to the terms of the Placing;
- (xii) any material non-compliance of the prospectus (and/or any other documents used in connection with the subscription of the Placing Shares) or in all material aspect of the Placing with the GEM Listing Rules or any other applicable laws by any of the Directors or the Warrantors;
- (xiii) any change in the business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Group taken as a whole;
- (xiv) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group;
- (xv) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions;

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- (xvi) any change or development in the conditions of local, national or international equity securities or other financial markets;

- (xvii) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange or by any of the other exchanges or by such system or by order of any regulatory or governmental authority, which in each case or in aggregate in the sole and absolute opinion of the Sole Sponsor and/or the Sole Bookrunner (for themselves and on behalf of the Underwriters):
 - (A) is or will be materially adverse to or may prejudicially affect the business, financial, trading or other condition or prospects of our Group (as a whole);

 - (B) has or will have a material adverse effect on the success of the Placing or the level of interest under the Placing;

 - (C) makes or may make it inadvisable, inexpedient or impracticable to proceed with the Placing or the delivery of the Placing Shares on the terms and in the manner contemplated by any of the Relevant Documents; or

 - (D) has or would have the effect of making any part of the Underwriting Agreement (including undertaking) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof.

Without prejudice to the above, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, it comes to the notice of the Sole Sponsor and/or the Sole Bookrunner:

- (a) any matter or event showing any of the warranties contained in the Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or any breach of any of the warranties contained in the Underwriting Agreement or any other provision of the Underwriting Agreement by any party thereto (other than the Sole Sponsor, the Sole Bookrunner, the Lead Manager and the Co-Lead Managers), which is considered, in the sole and absolute opinion of the Sole Sponsor and/or the Sole Bookrunner (for themselves and on behalf of the Underwriters), to be material in the context of the Placing; or

- (b) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the sole and absolute opinion of the Sole Sponsor and/or the Sole Bookrunner (for themselves and on behalf of the Underwriters) in the context of the Placing; or

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- (c) any statement contained in the prospectus and the placing letter considered to be material by the Sole Sponsor and/or the Sole Bookrunner which is discovered to be or becomes untrue, incorrect or misleading in any respect and in the sole and absolute opinion of the Sole Sponsor and/or the Sole Bookrunner (for itself/ themselves and on behalf of the Underwriters) to be material in the context of the Placing; or
- (d) any event, act or omission which gives rise or is likely to give rise to any material liability of any of the Warrantors pursuant to the indemnities contained in the Underwriting Agreement,

the Sole Sponsor and/or the Sole Bookrunner (for itself/themselves and on behalf of the Underwriters) shall be entitled (but not bound) by notice in writing to our Company (for itself and on behalf of and our Controlling Shareholders) on or prior to such time to terminate the Underwriting Agreement.

Undertakings

Under the Underwriting Agreement,

- (a) (i) each of our Controlling Shareholders undertakes to and covenants with our Company, the Sole Sponsor, the Lead Manager, the Co-Lead Managers, the Underwriters and the Stock Exchange that save as permitted under the GEM Listing Rules, he/it shall not and shall procure that the relevant registered holders shall not:
 - (A) in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholder is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Period**”), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect (the “**Encumbrances**”) in respect of any of the Shares which he/it is shown in this prospectus to be the beneficial owner(s); and
 - (B) in the period of thirty months commencing on the date immediately following the date on which the First Period expires (the “**Second Period**”), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/it would cease to be a Controlling Shareholder,

UNDERWRITING

provided that the restrictions in this paragraph (i) shall not apply to any Shares which our Controlling Shareholders or any of his/its respective associates may acquire or become interested in following the Listing Date;

- (ii) each of our Controlling Shareholders further undertakes to and covenants with our Company, the Sole Sponsor, the Lead Manager, the Co-Lead Managers, the Underwriters and the Stock Exchange that:
 - (A) in the event that he/it disposes of his/its Shares after the restriction under sub-paragraph (a)(i)(A) above applicable to him/it lapses, during the Second Period, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in the Shares;
 - (B) in the event that he/it pledges or charges any of his/its direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the First Period and the Second Period, he/it must inform our Company, the Sole Sponsor, the Lead Manager, the Co-Lead Managers and the Underwriters immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
 - (C) having pledged or charged any of his/its interests in the Shares under sub-paragraph (B) above, he/it must inform our Company, the Lead Manager, the Co-Lead Managers and the Underwriters immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares affected; and
- (b) our Company undertakes to and covenants with the Sole Sponsor, the Lead Manager, the Co-Lead Managers and the Underwriters, and each of our Controlling Shareholders jointly and severally undertakes to and covenants with the Sole Sponsor, the Lead Manager, the Co-Lead Managers and the Underwriters to procure that, save with the prior written consent of the Sole Sponsor, the Lead Manager, the Co-Lead Managers and the Underwriters, our Company shall not, within the period of six months from the Listing Date:
 - (i) save as permitted under the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules) and the applicable laws, allot or issue or agree to allot or issue any Shares or any other securities in our Company (including warrants or other convertible securities (and whether or not of a class already listed));
 - (ii) grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into, or exchange for any Shares or any other securities of our Company;
 - (iii) purchase any securities of our Company; or

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- (iv) offer to or agree to do any of the foregoing or announce any intention to do so.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of announcement in accordance with GEM Listing Rules as soon as possible after being so informed by our Controlling Shareholder.

Total commission, fee and expenses

In connection with the Placing, the Lead Manager, the Co-Lead Managers and the Underwriters will receive an underwriting commission of 4.5% of the aggregate Placing Price of all the Placing Shares, out of which they will pay any sub-underwriting commissions and selling concessions.

In connection with the Listing, the Sole Sponsor will receive a sponsorship and documentation fee.

In connection with the Listing and the Placing, the total expenses (including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the listing fee, legal and other professional fees, printing cost and other expenses relating to the Placing) are estimated to be approximately HK\$20,661,000 (assuming that the underwriting commission is calculated with reference to the mid-point of the indicative Placing Price range of HK\$0.225 to HK\$0.25 per Placing Shares) which shall be solely borne by our Company.

Our Company has agreed to indemnify the Lead Manager, the Co-Lead Managers and the Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreement, and any breach by our Company of the Underwriting Agreement.

Independence of the Sponsor

Save for (i) the Sole Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until the despatch of the audited consolidated financial results for the second full financial year after the Listing Date, and our Company will pay to the Sole Sponsor an agreed fee for its provision of services as required under the GEM Listing Rules; and (ii) the interests and obligations under the Underwriting Agreement and the advisory fee payable to the Sole Sponsor in respect of the Placing, none of the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Co-Lead Managers or the Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group, no director or employee of the Sole Sponsor who is involved in providing advice to our Company has or, as a result of the Listing and/or the Placing, may have any interest in any class of securities of our Company or any other members of our Group (including options or rights to subscribe for such securities). No director or employee of the Sole Sponsor has any

UNDERWRITING

directorship in our Company or any other members of our Group. The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

Sole Sponsor's, Lead Manager's, Co-Lead Managers' and Underwriters' interests in our Company

Save for their interests and obligations under the Underwriting Agreement and the advisory and documentation fee payable to the Sole Sponsor in respect of the Placing, pursuant to the requirements under Rule 6A.19 of the GEM Listing Rules, none of the Sole Sponsor, the Lead Manager, the Co-Lead Managers and the Underwriters or any of their close associates is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group. None of the directors and employees of the Sole Sponsor, the Lead Manager, the Co-Lead Managers and the Underwriters has any directorship in our Company or any other companies comprising our Group.

STRUCTURE AND CONDITIONS OF THE PLACING

Basis of Allocation

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to purchase further Shares or hold or sell our Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of our Company and our Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that no more than 50% of our Shares in public hands at the time of the Listing will be owned by the three largest public Shareholder. No allocations of the Placing Shares will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

PLACING PRICE

The Placing Price will not be more than HK\$0.25 per Share and not less than HK\$0.225 per Share. Subscribers, or purchasers when subscribing or purchasing (as the case may be) for the Placing Shares, shall pay the Placing Price plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. Assuming the Placing Price of HK\$0.25 or HK\$0.225 per Share (being the highest and lowest prices of the indicative Placing Price range respectively), investors shall pay HK\$2,525.20 and HK\$2,272.67 for every board lot of 10,000 Shares, respectively.

The Placing Price will be fixed by an agreement expected to be entered into between our Company, the Lead Manager, the Co-Lead Managers and the Underwriters on the Price Determination Date which is scheduled on or about Tuesday, 4 October 2016 (or such later date as may be agreed between our Company, the Lead Manager, the Co-Lead Managers and the Underwriters). If our Company, the Lead Manager, the Co-Lead Managers and the Underwriters are unable to reach an agreement on the Placing Price by the Price Determination Date or such later date as may be agreed between our Company, the Lead Manager, the Co-Lead Managers and the Underwriters, or the Underwriting Agreement is not signed, the Placing will not become unconditional and will lapse. Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Placing Price as stated in this prospectus.

If, the Lead Manager, the Co-Lead Managers and the Underwriters and with the consent of our Company consider it appropriate (for instance, if the level of interest is below the indicative Placing Price range), the indicative Placing Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company shall, as soon as practicable following the decision to make such reduction, and in any event not later than 9:00 a.m. on the Price Determination Date publish an announcement on the reduction of the indicative Placing Price range on the HKEx website at www.hkexnews.hk and our Company's website at www.cyfood.com.hk.

STRUCTURE AND CONDITIONS OF THE PLACING

The level of indication of interests in the Placing and the basis of allocations of the Placing Shares will be announced on the HKEx website at *www.hkexnews.hk* and our Company's website at *www.cyfood.com.hk* at or before 9:00 a.m. on Wednesday, 12 October 2016.

CONDITIONS OF THE PLACING

The Placing is conditional upon:

- (a) the listing division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus;
- (b) the obligations of the Lead Manager, the Co-Lead Managers and the Underwriters under the Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Lead Manager, the Co-Lead Managers and the Underwriters, and such obligations not having been terminated in accordance with the terms of the Underwriting Agreement. Details of the Underwriting Agreement, its conditions and grounds for termination, are set out in the section headed "Underwriting" in this prospectus;
- (c) the price determination agreement between our Company and the Lead Manager (for and on behalf of the Underwriters) being entered into on or before the Price Determination Date.

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If these conditions are not fulfilled or (where applicable) waived by the Lead Manager, the Co-Lead Managers and the Underwriters on or before the day which is the 30th day after the date of this prospectus, the Placing shall lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Placing will be published on the HKEx website at *www.hkexnews.hk* and our Company's website at *www.cyfood.com.hk* on the next business day after such lapse.

THE PLACING

Our Company is initially offering 320,000,000 Placing Shares for subscription by way of the Placing, representing 25% of the issued share capital of our Company upon completion of the Placing. The Placing Shares will be fully underwritten by the Lead Manager, the Co-Lead Managers and the Underwriters pursuant to the Underwriting Agreement subject to the Placing Price being fixed by agreement between our Company, the Lead Manager, the Co-Lead Managers and the Underwriters on the Price Determination Date.

STRUCTURE AND CONDITIONS OF THE PLACING

The Lead Manager, the Co-Lead Managers, the Underwriters or agents nominated by them on behalf of our Company will conditionally place the Placing Shares at the Placing Price plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% with professional, institutional and individual investors. Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell his/her/its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated in accordance with Rule 11.23(8) of the GEM Listing Rules such that not more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

Subject to prior written consent of the Stock Exchange, no allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Thursday, 13 October 2016, under the stock code of 8240. The Shares will be traded in board lot of 10,000 Shares each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interest. All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

30 September 2016

The Directors
Goal Forward Holdings Limited

Frontpage Capital Limited

Dear Sirs,

We report on the financial information of Goal Forward Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined statements of financial position as at 31 March 2015 and 31 March 2016, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2015 and 31 March 2016 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 30 September 2016 (the "Prospectus") in connection with the placing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 6 April 2016 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1(b) of Section II headed "Reorganisation" below, which was completed on 22 June 2016, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1(b) of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No Statutory audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the reorganisation. The statutory audited financial statements of other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their respective places of incorporation. The details of the statutory auditors of these companies are set out in Note 1(b) of Section II below.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSAAs”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 1(c) of Section II below.

Directors’ Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 1(c) of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant’s Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 1(c) of Section II below, a true and fair view of the combined financial position of the Group as at 31 March 2015 and 31 March 2016 and of the Group’s combined financial performance and cash flows for the Relevant Periods.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 March 2015 and 31 March 2016 and for the each of the years ended 31 March 2015 and 31 March 2016 (the "Financial Information"), presented on the basis set out in Note 1(c) of Section II below:

(A) COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Section II Note</i>	Year ended 31 March	
		2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	152,286	166,230
Cost of sales	7	<u>(131,882)</u>	<u>(140,465)</u>
Gross profit		20,404	25,765
Other income	6	98	123
Selling and administrative expenses	7	<u>(9,685)</u>	<u>(11,593)</u>
Operating profit		<u>10,817</u>	<u>14,295</u>
Finance income	9	1	1
Finance costs	9	<u>(387)</u>	<u>(587)</u>
Finance costs – net	9	<u>(386)</u>	<u>(586)</u>
Profit before income tax		10,431	13,709
Income tax expense	10	<u>(1,678)</u>	<u>(2,636)</u>
Profit and total comprehensive income for the year attributable to owner of the Company		<u>8,753</u>	<u>11,073</u>
Earnings per share attributable to owner of the Company for the year – Basic and diluted (expressed in HK cents per share)	12	<u>N/A</u>	<u>N/A</u>

(B) COMBINED STATEMENTS OF FINANCIAL POSITION

	<i>Note</i>	As at 31 March	
		2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	<i>13</i>	18,432	17,583
Prepayments	<i>16</i>	–	200
Deferred tax assets	<i>14</i>	–	117
Total non-current assets		<u>18,432</u>	<u>17,900</u>
Current assets			
Inventories	<i>17</i>	295	863
Trade receivables	<i>16</i>	23,316	26,955
Deposits and prepayments	<i>16</i>	166	1,478
Amount due from the Controlling Shareholder	<i>25(b)</i>	8,108	16,012
Cash and cash equivalents	<i>18</i>	17,054	9,479
Total current assets		<u>48,939</u>	<u>54,787</u>
Total assets		<u>67,371</u>	<u>72,687</u>
EQUITY			
Equity attributable to owner of the Company			
Combined share capital	<i>19</i>	–	100
Retained earnings		10,220	21,293
Total equity		<u>10,220</u>	<u>21,393</u>

	<i>Note</i>	As at 31 March	
		2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	20	62	266
Deferred tax liabilities	14	<u>593</u>	<u>584</u>
Total non-current liabilities		<u>655</u>	<u>850</u>
Current liabilities			
Trade payables	21	31,158	27,592
Accruals and other payables	21	2,756	2,902
Borrowings	20	20,907	18,771
Current income tax liabilities		<u>1,675</u>	<u>1,179</u>
Total current liabilities		<u>56,496</u>	<u>50,444</u>
Total liabilities		<u>57,151</u>	<u>51,294</u>
Total equity and liabilities		<u>67,371</u>	<u>72,687</u>

(C) COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company		
	Combined share capital (Note 19) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 April 2014	—	1,467	1,467
Total comprehensive income			
Profit for the year	—	8,753	8,753
Balance at 31 March 2015	<u>—</u>	<u>10,220</u>	<u>10,220</u>
Total comprehensive income			
Profit for the year	—	11,073	11,073
Transaction with owner in their capacity as owner			
Proceeds from shares issued	100	—	100
Balance at 31 March 2016	<u>100</u>	<u>21,293</u>	<u>21,393</u>

(D) COMBINED STATEMENTS OF CASH FLOWS

	<i>Note</i>	Year ended 31 March	
		2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities			
Cash generated from operations	22	12,129	7,331
Interest paid		(387)	(587)
Income tax paid		(740)	(3,258)
		<u>11,002</u>	<u>3,486</u>
Cash flows from investing activities			
Purchases of property, plant and equipment		(477)	(43)
Prepayment for property, plant and equipment		–	(200)
Proceeds from disposals of property, plant and equipment	22(b)	29	–
Amount due from Controlling Shareholder		(7,226)	(7,904)
Interest received		1	1
		<u>(7,673)</u>	<u>(8,146)</u>
Cash flows from financing activities			
Proceeds from bank borrowings		21,400	–
Repayments of bank borrowings		(13,258)	(2,278)
Repayment of finance leases		(87)	(76)
Prepayment of listing expenses		–	(661)
Proceeds from shares issuances		–	100
		<u>8,055</u>	<u>(2,915)</u>
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		11,384	(7,575)
		<u>5,670</u>	<u>17,054</u>
Cash and cash equivalents at end of the year	18	<u><u>17,054</u></u>	<u><u>9,479</u></u>

II NOTES TO THE COMBINED FINANCIAL INFORMATION**1 Corporation information, reorganisation and basis of presentation***(a) General information*

Goal Forward Holdings Limited (the "Company") was incorporated in the Cayman Islands on 6 April 2016 as an exempted company with limited liability under Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") is principally engaged in the sourcing and processing of food ingredients (the "Listing Business"). The controlling shareholder of the Listing Business is Mr. Liu Chi Ching ("Mr. Liu") (the "Controlling Shareholder").

The Financial Information is presented in thousands of Hong Kong dollars ("HK\$000"), unless otherwise stated.

(b) Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") as described below, the Listing Business was carried out by C.Y. Food Trading (HK) Company Limited, a company incorporated in Hong Kong (the "Operating Company"). The Operating Company was controlled by Mr. Liu throughout the Relevant Periods.

In preparation for listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation to transfer the Listing Business to the Company principally through the following steps:

- a. On 8 January 2016, Classic Line Holdings Limited ("Classic Line") was incorporated in the British Virgin Islands ("BVI") by Mr. Liu.
- b. On 10 March 2016, Eminent Ace Group Limited ("Eminent Ace") was incorporated in the BVI. On the same date, one fully-paid share of Eminent Ace, representing its entire issued share capital was allotted and issued to Classic Line.
- c. On 6 April 2016, the Company was incorporated in the Cayman Islands with limited liability and with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares. On the same date, one nil-paid ordinary Share was allotted and issued to Classic Line.
- d. On 13 May 2016, Eminent Ace acquired the entire issued share capital of the Operating Company from Mr. Liu, in consideration of which the Company, at the direction of Mr. Liu, issued and allotted 9,999 nil-paid shares to Classic Line.
- e. On 16 May 2016, Classic Line, Mr. Liu and the Company entered into a share swap deed pursuant to which the Company acquired 1 fully paid share in Eminent Ace from Classic Line and as consideration, the Company will credit 10,000 nil-paid share held by Classic Line as fully paid.
- f. On 25 May 2016, Lion Metro Limited ("Lion Metro") was incorporated in the British Virgin Islands ("BVI") by Eminent Ace.
- g. On 22 June 2016, Lion Metro acquired the entire issued share capital of the Healthy Cheer International Limited ("Healthy Cheer") from its then shareholders, Mr. Liu, Mr. Chan Kam Cheong ("Mr. Chan") and Ms. Liu Shek Chun ("Ms. Liu"), in consideration of which Eminent Ace issued and allotted 99 fully-paid shares in Eminent Ace to the Company. Prior to this

transaction, Mr. Liu was the controlling shareholder of Healthy Cheer as he beneficially owned the entire issued share capital of Healthy Cheer through declarations of trust signed by Mr. Liu with Mr. Chan and Ms. Liu respectively, on 9 July 2009.

Upon completion of the Reorganisation, the Company has become the holding company of the other Companies comprising the Group.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Company name	Date of incorporation/ establishment	Country/place of incorporation/ establishment	Registered/ issued and paid-up capital	Attributable equity interest of the Group as at the date of this report	Principal activities/place of operation	Name of statutory auditor 2015 2016
Directly held:						
Eminent Ace Group Limited	10 March 2016	BVI	US\$1	100%	Investment holding/ Hong Kong	2015: N/A 2016: N/A
Indirectly held:						
C.Y. Food Trading (HK) Company Limited	6 September 2005	Hong Kong	HK\$1	100%	Sourcing and processing of food ingredients/Hong Kong	2015: Tommy Yeung & Co 2016: PricewaterhouseCoopers
Lion Metro Limited	25 May 2016	BVI	US\$1	100%	Investment holding/ Hong Kong	2015: N/A 2016: N/A
Healthy Cheer International Limited	11 March 2009	Hong Kong	HK\$100,000	100%	Property holding and investment/ Hong Kong	2015: Tommy Yeung & Co 2016: PricewaterhouseCoopers

(c) Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business was carried out by the Operating Company. Pursuant to the Reorganisation, the Listing Business were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The transaction is merely a reorganisation of the Listing Business with no change in management and controlling shareholder of such business. Accordingly, the combined financial information of the companies now comprising the Group is presented using the carrying values of the Listing Business for all periods presented, as if the current group structure had been in existence throughout the Relevant Periods or since the respective dates of establishments of the combining companies, whichever is earlier.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountant (the "HKICPA"). The Financial Information have been prepared under the historical cost convention.

The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

The following are the new standards and amendments to standards that are effective for annual periods beginning on or after 1 April 2016 and related to the Group, and have not been early adopted:

		Effective for accounting year beginning on or after	<i>Note</i>
HKFRS 10, HKFRS 12 and HKAS 28 (amendment)	Investment entities: applying the consolidation exception	1 January 2016	
HKFRS 11 (amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	
HKFRS 14	Regulatory Deferral Accounts	1 January 2016	
HKAS 1 (amendment)	Disclosure initiative	1 January 2016	
HKAS 16 and HKAS 38 (amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	
HKAS 16 and HKAS 41 (amendment)	Agriculture: Bearer Plants	1 January 2016	
HKAS 27 (amendment)	Equity Method in Separate Financial Statements	1 January 2016	
HKFRSs (amendment)	Annual Improvements to HKFRSs 2014 Cycle	1 January 2016	
HKFRS 9	Financial Instruments	1 January 2018	<i>i</i>
HKFRS 15	Revenue from Contracts with Customers	1 January 2018	<i>ii</i>
HKFRS 16	Leases	1 January 2019	<i>iii</i>
HKFRS 10 and HKAS 28 (amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	–	<i>iv</i>

Note i:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKAS 9's full impact.

Note ii:

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

Note iii:

The Group is a lessee of logistics centre and warehouse, parking lots and director quarter which are currently classified as operating leases. The Group's current accounting policy for such leases, asset out in Note 2.21, is to record the operating leases in the Group's combined statements of comprehensive income during the Relevant Periods with the related operating lease commitments being separately disclosed in Note 23. HKFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognise leases outside of the combined statements of financial position. Instead, all non-current leases must be recognised in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in the Group's combined statements of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in a decognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the combined statements of financial position. In the combined statements of comprehensive income, as a result, the annual rental and amortisation expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of right of use of assets and interest expense arising from the financial liabilities will increase. The new standard is not expected to be effective until the financial year beginning on or after 1 January 2019. The Group is assessing the impact of HKFRS 16.

Note iv:

The effective date of HKFRS 10 and HKAS 28 (amendment) is to be determined by the International Accounting Standards Board.

There are no other new standards and amendments to standards that are not yet effective that would be expected to have a material impact on the Group. The Group plans to adopt the above new standards and amendments to standards when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments to standards and is in the process of assessing their impact on future accounting periods.

2.2 Subsidiaries**2.2.1 Consolidation**

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

Except for the Reorganisation as mentioned in Note 1(b), the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the

fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined statements of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in HK\$, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the combined statements of comprehensive income within "finance income or costs". All other foreign exchange gains and losses are presented in the combined statements of comprehensive income within "other income".

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.5 *Property, plant and equipment*

Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined statements of comprehensive income during the financial period in which they are incurred.

Leasehold improvements are depreciated over the shorter of their useful lives or unexpired period of the lease while depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land held under finance lease	Over the lease term of 35 years
Buildings	35 years
Leasehold improvements	Shorter of lease term or 5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	3-4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "selling and administrative expenses" in the combined statements of comprehensive income.

2.6 *Impairment of non-financial assets*

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 *Financial assets*

2.7.1 *Classification*

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and deposits, cash and cash equivalents (Notes 2.11 and 2.12) and amount due from the Controlling Shareholder in the combined statements of financial position.

2.7.2 *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.8 *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the combined statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.9 *Impairment of financial assets*

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the combined statements of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined statements of comprehensive income.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade payables

Trade payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.16 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the combined statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(a) *Retirement benefit obligations*

Hong Kong

The Group operates a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme") which is registered under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held in a separately administered fund. The MPF Scheme is generally funded by payments from employees and by the Group.

The Group has no further payment obligations once the contribution has been paid. The contributions are recognised as employee benefit expense when they are due.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) *Bonus plans*

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Group's shareholder after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.19 Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts and returns. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits

will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) *Sale of goods*

Sale of goods is recognised when products have been delivered to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii) *Interest income*

Interest income is recognised using the effective interest method.

2.21 *Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the combined statements of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the combined statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.22 *Dividend distribution*

Dividend distribution to the owner of the entities now comprising the Group is recognised as a liability in the Group's Financial Information in the period in which the dividends are approved by the Company's shareholder.

3 **Financial risk management**

3.1 *Financial risk factors*

The Group's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by finance department under policies approved by the Board of Directors. Finance department of the Group identifies, evaluates and hedge financial risks in close co-operation with the Group's operating units. The board provides guidance for overall risk management and specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) *Credit risk*

Credit risk of the Group mainly arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to amount due from the Controlling Shareholder, and customers such as trade and other receivables. The carrying amount of these balances in the Financial Information represents the Group's maximum exposure to credit risk in relation to its financial assets.

Bank balances are deposited in reputable banks. Management does not expect any losses from non-performance by these banks.

Debtors of the Group may be affected by the unfavorable economic conditions and the lower liquidity situation, which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that information is available, management has properly reflected revised estimate of expected future cash flows in their impairment assessments.

The credit quality of the customers is assessed based on its financial position, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit histories.

As at 31 March 2015 and 2016, the Group had a concentration of credit risk given that the top five debtors accounted for 41% and 46%, respectively of the Group's total trade receivables at the year end. The Group has set up long-term cooperative relationship with these customers. In view of the history of business dealings with the customers and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balances due from these customers. However, the Group does not believe that the credit risk in relation to these customers is significant because they have no history of default in recent years.

The Group performs periodic credit evaluations of its customers. For the trade receivables proved to be impaired, management has provided sufficient provision on those balances.

Management considers the credit risk on amount due from the Controlling Shareholder is minimal after considering the financial conditions of the entity as at 31 March 2015 and 31 March 2016. Management has performed assessment over the recoverability of these balances and management does not expect any losses from non-performance by the Controlling Shareholder.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The directors aim to maintain flexibility in funding by keeping credit lines available and obtaining additional funding from the loan facilities and monitoring cash flow forecast to maintain its going concern.

Management monitors the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Surplus cash held by Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The following tables analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the balance sheet date) and the earliest date the Group can be required to pay, except for long term bank borrowings subject to a repayment on demand clause.

Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The undiscounted cash flow does not include interest payments computed using contractual rates if the lender does not invoke their unconditional rights. The maturity analysis for other bank borrowings and finance lease liabilities is prepared based on the scheduled repayment dates.

	On demand <i>HK\$'000</i>	Within 1 year <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	Total undiscounted cash outflows <i>HK\$'000</i>
At 31 March 2015					
Long term bank borrowings subject to a repayment on demand clause	19,729	-	-	-	19,729
Other bank borrowings	-	1,178	62	-	1,240
Trade and other payables	-	32,923	-	-	32,923
	<u>19,729</u>	<u>34,101</u>	<u>62</u>	<u>-</u>	<u>53,892</u>
At 31 March 2016					
Long term bank borrowings subject to a repayment on demand clause	18,629	-	-	-	18,629
Other bank borrowings	-	142	266	-	408
Trade and other payables	-	29,401	-	-	29,401
	<u>18,629</u>	<u>29,543</u>	<u>266</u>	<u>-</u>	<u>48,438</u>

The table below summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Within 1 year <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	Total Outflows <i>HK\$'000</i>
At 31 March 2015	1,629	1,629	18,705	21,963
At 31 March 2016	<u>1,629</u>	<u>1,629</u>	<u>17,077</u>	<u>20,335</u>

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowings. Total capital is calculated as 'equity' as shown in the Financial Information.

As at 31 March 2015 and 2016, the gearing ratios were as follows:

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Total debt	20,969	19,037
Total capital	10,220	21,393
Gearing ratio	<u>205%</u>	<u>89%</u>

3.3 Fair value estimation

As at 31 March 2015 and 2016, the Group did not have any financial assets or financial liabilities that are measured at fair value.

The carrying values of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgments and estimates. Management reassesses the provision at the end of each reporting period.

(c) Useful lives on property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of these assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to changes in market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

5 Segment information

The Group operates as a single operating segment. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors that make strategic decisions.

The Group is principally engaged in the sourcing and processing of food ingredients, which are carried out in Hong Kong during the Relevant Periods.

Total revenue recognised during the year are as follows:

	Year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	<u>152,286</u>	<u>166,230</u>

The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that in the Financial Information.

Revenues from transactions with external customers accounting for 10% or more of Group's total revenue are as follows:

	Year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	19,038	20,768
Customer B	<u>13,872</u>	<u>16,808</u>
	<u>32,910</u>	<u>37,576</u>

6 Other income

	Year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sundry income	<u>98</u>	<u>123</u>

7 Expenses by nature

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Cost of inventories (<i>Note 17</i>)	104,146	110,356
Employee benefit expenses (<i>Note 8</i>)	12,310	12,516
Commission	1,366	1,278
Auditors' remuneration	49	200
Depreciation of property, plant and equipment (<i>Note 13</i>)	1,493	1,314
Operating leases	904	885
Transportation expenses	15,427	16,770
Provision for/(reversal of) impairment for trade receivables, net	59	(18)
Listing expenses	–	2,481
Other expenses	5,813	6,276
	<u>141,567</u>	<u>152,058</u>

8 Employee benefit expenses – including directors' emoluments

(a) Employee benefit expenses during the year are as follows:

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Wages, salaries and allowances	10,575	11,033
Retirement benefit costs – defined contribution plans	470	505
Others	1,265	978
	<u>12,310</u>	<u>12,516</u>

(b) Directors' emoluments

The remuneration of every director for the years ended 31 March 2015 and 2016 are set out below:

Name of director	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Other benefits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended					
31 March 2015					
Executive directors					
Mr. Liu Chi Ching (Chairman)	–	672	18	413	1,103
Ms. Wu Shuk Kwan (Chief executive officer)	–	220	9	–	229
	<u>–</u>	<u>892</u>	<u>27</u>	<u>413</u>	<u>1,332</u>

Name of director	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Employer's contribution to pension scheme HK\$'000	Other benefits HK\$'000	Total HK\$'000
For the year ended 31 March 2016					
Executive directors					
Mr. Liu Chi Ching (Chairman)	–	672	18	435	1,125
Ms. Wu Shuk Kwan (Chief executive officer)	–	360	18	–	378
	–	1,032	36	435	1,503

During the Relevant Periods, none of the directors of the Company waived any emoluments paid or payable by the Group companies and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(i) *Directors' retirement benefits*

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the Relevant Periods.

(ii) *Directors' termination benefits*

No payment was made to directors as compensation for the early termination of the appointment during the year during the Relevant Periods.

(iii) *Consideration provided to third parties for making available directors' services*

No payment was made to the former employer of directors for making available the services of them as a director of the Company during the Relevant Periods.

(iv) *Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors*

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the Relevant Periods.

(v) *Directors' material interests in transactions, arrangements or contracts*

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Relevant Periods.

Notes:

Mr. Liu Chi Ching and Ms. Wu Shuk Kwan were appointed as the Company's executive directors on 27 May 2016. Mr. Wong Chung Yeung was appointed as the Company's non-executive director on 27 May 2016. Ms. Li On Lei, Mr. Ng Ki Man and Mr. Lo Siu Kit were appointed as the Company's independent non-executive directors on 26 September 2016.

During the Relevant Periods, the non-executive director and independent non-executive directors had not been appointed and therefore did not receive any remuneration in their capacity as the Company's directors.

(c) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group include 2 and 2 directors for the years ended 31 March 2015 and 2016, respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 and 3 individuals for the years ended 31 March 2015 and 2016, respectively, are as follows:

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Wages, salaries and allowances	716	759
Retirement benefit costs-defined contribution plans	22	35
	<u>738</u>	<u>794</u>

The emoluments of above individuals are within the following band:

	Number of individuals	
	Year ended 31 March	
	2015	2016
Emoluments band		
Nil – HK\$1,000,000	<u>3</u>	<u>3</u>

9 Finance costs – net

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Interest expense on bank borrowings	358	568
Interest expense on finance leases	29	19
Finance costs	<u>387</u>	<u>587</u>
Interest income from bank deposits	(1)	(1)
Finance costs – net	<u>386</u>	<u>586</u>

10 Income tax expense

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit during the Relevant Periods.

The amount of income tax expense charged/(credited) to the combined statements of comprehensive income represents:

	Year ended 31 March	
	2015 HK\$'000	2016 HK\$'000
Current income tax		
– Current year	1,846	2,762
– Over-provision in prior year	(127)	–
	<u>1,719</u>	<u>2,762</u>
Deferred income tax (<i>Note 14</i>)	(41)	(126)
	<u>(41)</u>	<u>(126)</u>
Income tax expense	<u>1,678</u>	<u>2,636</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group's subsidiaries as follows:

	Year ended 31 March	
	2015 HK\$'000	2016 HK\$'000
Profit before income tax	<u>10,431</u>	<u>13,709</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	1,721	2,262
Expenses not deductible for tax purposes	104	409
Non-taxable income	(20)	(35)
Over-provision in prior year	(127)	–
	<u>(127)</u>	<u>–</u>
Income tax expense	<u>1,678</u>	<u>2,636</u>

Note (i): Expense not deductible for tax purposes mainly comprised the tax effect of non-deductible listing expenses for the year ended 31 March 2016.

Note (ii): The weighted average applicable tax rate was 16.1% and 19.2% for the years ended 31 March 2015 and 2016. The increase was mainly due to certain listing expenses being not tax deductible for the year ended 31 March 2016.

11 Dividend

No dividend was declared for the years ended 31 March 2015 and 31 March 2016.

12 Earnings per share attributable to owner of the Company for the year – Basic and diluted

No earning per share information is presented as its inclusion, for the purpose of this accountant's report, is considered not meaningful due to the group Reorganisation.

The Group does not have any potential dilutive option or other instruments relating to ordinary shares.

13 Property, plant and equipment

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 April 2014					
Cost	19,198	737	2,562	1,149	23,646
Accumulated depreciation	(1,097)	(442)	(1,751)	(463)	(3,753)
Net book amount	18,101	295	811	686	19,893
Year ended 31 March 2015					
Opening net book amount	18,101	295	811	686	19,893
Additions	–	–	16	461	477
Depreciation	(548)	(147)	(450)	(348)	(1,493)
Disposal	–	–	–	(445)	(445)
Closing net book amount	17,553	148	377	354	18,432
At 31 March 2015					
Cost	19,198	737	2,578	782	23,295
Accumulated depreciation	(1,645)	(589)	(2,201)	(428)	(4,863)
Net book amount	17,553	148	377	354	18,432
Year ended 31 March 2016					
Opening net book amount	17,553	148	377	354	18,432
Additions	–	–	52	413	465
Depreciation	(548)	(148)	(375)	(243)	(1,314)
Disposal	–	–	–	–	–
Closing net book amount	17,005	–	54	524	17,583
At 31 March 2016					
Cost	19,198	737	2,540	1,135	23,610
Accumulated depreciation	(2,193)	(737)	(2,486)	(611)	(6,027)
Net book amount	17,005	–	54	524	17,583

Depreciation expense of HK\$1,048,000 and HK\$445,000 has been charged to cost of sales and selling and administrative expenses, respectively, for the year ended 31 March 2015.

Depreciation expense of HK\$747,000 and HK\$567,000 has been charged to cost of sales and selling and administrative expenses, respectively, for the year ended 31 March 2016.

As at 31 March 2015, bank borrowing of HK\$19,729,000 is secured by land and buildings for the value of HK\$17,553,000.

As at 31 March 2016, bank borrowing of HK\$18,629,000 is secured by land and buildings for the value of HK\$17,005,000.

As at 31 March 2016, bank borrowing of HK\$346,000 is secured by a motor vehicle amounted to HK\$341,000 (2015: nil).

Motor vehicles includes the following amounts where the Group is a lessee under a finance lease:

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Cost – capitalised finance leases	–	413
Accumulated depreciation	–	(72)
	<u>–</u>	<u>(72)</u>
	<u>–</u>	<u>341</u>

14 Deferred income tax

The analysis of deferred income tax is as follows:

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	–	117
	<u>–</u>	<u>117</u>
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	(593)	(584)
	<u>(593)</u>	<u>(584)</u>

The gross movements in the deferred income tax account are as follows:

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
At beginning of the year	(634)	(593)
Credited to combined statements of comprehensive income (<i>Note 10</i>)	41	126
	<u>41</u>	<u>126</u>
At end of the year	<u>(593)</u>	<u>(467)</u>

The movements in deferred income tax during the relevant year are as follows:

Deferred income tax assets:

	Decelerated tax depreciation <i>HK\$'000</i>
At 1 April 2014	58
Recognised in the combined statements of comprehensive income	<u>20</u>
At 31 March 2015	<u><u>78</u></u>
At 1 April 2015	78
Recognised in the combined statements of comprehensive income	<u>39</u>
At 31 March 2016	<u><u>117</u></u>

Deferred income tax liabilities:

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 April 2014	(692)
Recognised in the combined statements of comprehensive income	<u>21</u>
At 31 March 2015	<u><u>(671)</u></u>
At 1 April 2015	(671)
Recognised in the combined statements of comprehensive income	<u>87</u>
At 31 March 2016	<u><u>(584)</u></u>

15 Financial instruments by category

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Assets as per combined statements of financial position		
Loans and receivables		
– Trade receivables	23,316	26,955
– Deposits	89	95
– Amount due from the Controlling Shareholder	8,108	16,012
– Cash and cash equivalents	17,054	9,479
	<u> </u>	<u> </u>
Total	48,567	52,541
	<u> </u>	<u> </u>
Liabilities as per combined statements of financial position		
Other financial liabilities subsequently measured at amortised cost		
– Trade payables	31,158	27,592
– Other payables (excluding non-financial liabilities)	1,765	1,809
– Borrowings (exclude finance lease obligation)	20,969	18,691
– Finance lease obligation	–	346
	<u> </u>	<u> </u>
Total	53,892	48,438
	<u> </u>	<u> </u>

16 Trade receivables, deposits and prepayments

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Trade receivables (<i>Note a</i>)		
– Related parties (<i>Note 25(b)</i>)	220	127
– Third parties	23,096	26,828
	<u> </u>	<u> </u>
	23,316	26,955
	<u> </u>	<u> </u>
Prepayment for property, plant and equipment	–	200
Prepayment of listing expenses	–	1,283
Other prepayments	77	100
Other receivables and deposits	89	95
	<u> </u>	<u> </u>
	166	1,678
	<u> </u>	<u> </u>
Less non-current portion: Deposits and prepayments	–	(200)
	<u> </u>	<u> </u>
Deposits and prepayments included in current assets	166	1,478
	<u> </u>	<u> </u>

(a) Trade receivables

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Trade receivables	23,375	26,955
Less: provision for impairment of trade receivables	(59)	–
	<u>23,316</u>	<u>26,955</u>

The carrying amounts of trade receivables approximate their fair values.

The Group normally grants credit terms to its customers ranging from 0 to 90 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
1 to 30 days	13,324	15,052
31 to 60 days	7,207	8,543
61 to 90 days	1,140	1,988
91 to 120 days	398	276
Over 120 days	<u>1,306</u>	<u>1,096</u>
Total	<u>23,375</u>	<u>26,955</u>

As at 31 March 2015 and 2016 of HK\$4,315,000 and HK\$4,426,000 were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered.

The ageing analysis of the trade receivables based on due date is as follows:

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Not yet past due	<u>19,001</u>	<u>22,529</u>
Past due but not impaired		
1 to 30 days	2,517	3,908
31 to 60 days	379	148
61 to 90 days	744	169
Over 90 days	<u>675</u>	<u>201</u>
Total	<u>23,316</u>	<u>26,955</u>

Movements on the provision for impairment of trade receivables are as follows:

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
At 1 April	–	59
Add: Provision for impairment of trade receivables	59	6
Less: Provision written off	–	(41)
Less: Amount recovered	–	(24)
	<u>–</u>	<u>(24)</u>
At 31 March	<u>59</u>	<u>–</u>

The carrying amounts of the Group's trade receivables are denominated in HK\$.

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

17 Inventories

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Raw materials	295	863
Less: Provision for obsolete inventories	–	–
	<u>–</u>	<u>–</u>
Inventories, net	<u>295</u>	<u>863</u>

The cost of inventories included in cost of sales during the year amounted to approximately HK\$ 104,146,000 and HK\$110,356,000 for the year ended 31 March 2015 and 2016, respectively.

18 Cash and cash equivalents

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Cash at bank	17,014	9,465
Cash on hand	40	14
	<u>40</u>	<u>14</u>
	<u>17,054</u>	<u>9,479</u>

Note:

- (a) The amounts represent cash and cash equivalents in the combined statements of cash flows.

(b) The Group's cash and bank balances are denominated in the following currencies:

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
HK\$	17,054	9,474
United States dollars	—	5
	<u>17,054</u>	<u>9,479</u>

19 Combined share capital

Combined Share capital during the relevant year represents the share capital of C.Y. Food Trading (HK) Company Limited and Healthy Cheer International Limited, the operating companies of the Listing Business.

20 Borrowings

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Non-current, secured		
Bank borrowings (<i>Note (a)</i>)	62	—
Finance lease obligation (non-current portion) (<i>Note (b)</i>)	—	266
	<u>62</u>	<u>266</u>
Current, secured		
Portion of long-term bank borrowings due for repayment within 1 year (<i>Note (a)</i>)	1,178	62
Portion of long-term bank borrowings due for repayment after 1 year which contain a repayment on demand clause (<i>Note (a)</i>)	19,729	18,629
Finance lease obligation (current portion) (<i>Note (b)</i>)	—	80
	<u>20,907</u>	<u>18,771</u>
Total borrowings	<u>20,969</u>	<u>19,037</u>

All borrowings, including the bank loans which contain repayment on demand clause, are carried at amortised cost.

The carrying amounts of the borrowings approximate their fair values, the weighted average interest rates are 3.26% and 2.79% as at 31 March 2015 and 2016, respectively.

Note (a) Bank borrowings

	Total	
	2015	2016
	HK\$'000	HK\$'000
Bank borrowings due for repayment within one year (<i>Note (i)</i>)	1,178	62
Bank borrowings due for repayment after one year which contain a repayment on demand clause (<i>Note (ii)</i>)	<u>19,729</u>	<u>18,629</u>
	20,907	18,691
Bank borrowings due for repayment after 1 year:		
After 1 year but within 2 years (<i>Note (i)</i>)	<u>62</u>	<u>–</u>
	<u><u>20,969</u></u>	<u><u>18,691</u></u>

The carrying amounts of the bank borrowings are denominated in HK\$.

Note (i):

The amounts due are based on the scheduled repayment dates set out in the loan agreements.

These bank borrowings are secured/guaranteed by a personal guaranteed executed by the Controlling Shareholder. These borrowings were fully repaid on 4 April 2016 and the personal guarantee had been released subsequently.

Note (ii):

As at 31 March 2015 and 31 March 2016, total bank borrowings of HK\$19,729,000 and HK\$18,629,000 respectively are secured/guaranteed by:

- (i) joint guarantee executed by the Controlling Shareholder and Mr. Chan Kam Cheong;
- (ii) guarantee provided by a company within the Group; and
- (iii) properties held by the Group.

On 28 April 2016, these bank borrowings were early settled and the Group has refinanced the borrowings by entering into two 20-year loans totaled HK\$19,200,000. Such loans are secured/guaranteed by:

- (i) joint guarantee executed by Controlling Shareholder and Ms. Wu Shuk Kwan, both are directors of the Company; and
- (ii) properties held by the Group.

Note (b) Finance lease obligation

As at 31 March 2015 and 2016, the Group's finance lease was repayable as follows:

	Total	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	–	95
Later than 1 year and no later than 5 years	–	285
	<u>–</u>	<u>285</u>
Future finance charges on finance leases	–	380
	<u>–</u>	<u>(34)</u>
Present value of finance lease liabilities	<u>–</u>	<u>346</u>
The present value of finance lease liabilities is as follows:		
No later than 1 year	–	80
Later than 1 year and no later than 5 years	–	266
	<u>–</u>	<u>266</u>
	<u>–</u>	<u>346</u>

Note: The amounts due are based on the scheduled repayment dates set out in the finance lease agreement.

The carrying amounts of the finance lease are denominated in HK\$.

This finance lease are secured/guaranteed by:

- (i) a motor vehicle with net book value of HK\$341,000 as at 31 March 2016; and
- (ii) a personal guaranteed executed by the Controlling Shareholder.

The rights to the leased asset are reverted to the lessor in the event of default of the lease liabilities by the Group.

21 Trade and other payables

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Trade payables (<i>Note (a)</i>)		
– Related parties (<i>Note 25(b)</i>)	40	26
– Third parties	<u>31,118</u>	<u>27,566</u>
	<u>31,158</u>	<u>27,592</u>
Other payables and accruals		
– Accruals for staff cost	2,219	2,365
– Commission payables	110	108
– Accrual for listing expenses	–	85
– Other accruals and other payables	<u>427</u>	<u>344</u>
	<u>2,756</u>	<u>2,902</u>
	<u><u>33,914</u></u>	<u><u>30,494</u></u>

(a) Trade payables

As at 31 March 2015 and 2016, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
0 to 30 days	9,949	9,652
31 to 60 days	11,982	7,822
61 to 90 days	676	5,485
Over 90 days	<u>8,551</u>	<u>4,633</u>
	<u><u>31,158</u></u>	<u><u>27,592</u></u>

The carrying amounts of the Group's trade payables are denominated in HK\$. The carrying amounts of trade payables approximate their fair values.

22 Cash generated from operations

(a) Reconciliation of cash generated from operations

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Profit before income tax	10,431	13,709
Adjustments for:		
Finance income	(1)	(1)
Finance costs	387	587
Depreciation of property, plant and equipment (Note 7)	1,493	1,314
Loss on disposal of property, plant and equipment	86	–
Provision for/(reversal of) impairment of trade receivables, net	59	(18)
	<u>12,455</u>	<u>15,591</u>
Operating profit before working capital changes	12,455	15,591
Changes in working capital		
Inventories	(19)	(568)
Trade receivables	(262)	(3,621)
Deposits and prepayments	(10)	(29)
Listing expenses	–	(622)
Trade payables	271	(3,566)
Accruals and other payables	(306)	146
	<u>(306)</u>	<u>146</u>
Cash generated from operations	<u>12,129</u>	<u>7,331</u>

(b) Proceeds from disposals of property, plant and equipment

In the combined statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Net book amount (Note 13)	445	–
Loss on disposal of property, plant and equipment	(86)	–
	<u>(86)</u>	<u>–</u>
Proceeds from disposal of property, plant and equipment (Note i)	<u>359</u>	<u>–</u>

Note i: Included in the proceeds from disposal of property, plant and equipment represents HK\$29,000 cash received and HK\$330,000 amount due from the Controlling Shareholder.

During the year ended 31 March 2015, certain property, plant and equipment was transferred to the Controlling Shareholder at a consideration of HK\$330,000. As a result of the transaction, the liability of the finance lease obligation was also transferred to the Controlling Shareholder, which was a non-cash transaction and not included in the cashflow.

23 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of production facilities, parking lots and director quarter are as follows:

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
- No later than 1 year	484	478
- Later than 1 year and no later than 5 years	708	444
	<u>1,192</u>	<u>922</u>

The Group has no other material commitments as at 31 March 2015 and 2016.

24 Contingencies

As at 31 March 2015 and 2016, there are no material contingent liabilities relating to the Group.

25 Related-party transactions

For the purposes of these combined financial information, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholder and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following companies were related parties that had material transactions or balances with the Group during the years ended 31 March 2015 and 2016:

Name of the related party	Relationship with the Group
China Land Restaurant Limited	The director, Liu Chi Ching has beneficial interest in the company
Winning Tender Limited	The director, Liu Chi Ching has beneficial interest in the company
Siberi Trading Company Limited	The director, Liu Chi Ching had beneficial interest in the company (This company ceased its related party's relation with the Group since November 2015)
Across Well Limited	The director, Liu Chi Ching has beneficial interest in the company
Mr. Liu Chi Ching	A shareholder and director of the Company
Au Kit Ying	The owner of this partnership business is a related person to Liu Chi Ching, the shareholder and the director of the Company

In addition to the related party information disclosed above, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the Relevant Periods, and balances arising from related party transactions as at 31 March 2015 and 2016.

(a) Transactions with related parties

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Continuing related parties' transactions		
Sales of goods to related companies		
– China Land Restaurant Limited	665	691
– Winning Tender Limited	687	641
Rental expenses charged by a related company		
– Across Well Limited	374	336
Purchase of goods from a related party		
– Au Kit Ying	99	88
Discontinued related parties' transactions		
Sales of property, plant and equipment to the Controlling Shareholder		
– Mr. Liu Chi Ching	330	–
Purchase of goods from a related company		
– Siberi Trading Company Limited	174	144
	<u>174</u>	<u>144</u>

(b) Balance with related parties

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Amount due from the Controlling Shareholder	8,108	16,012
Amount due from China Land Restaurant Limited	103	62
Amount due from Winning Tender Limited	117	65
Amount due to Siberi Trading Company Limited	25	13
Amount due to Au Kit Ying	15	13
	<u>15</u>	<u>13</u>

Maximum amount due from the Controlling Shareholder outstanding during the years ended 31 March 2015 and 2016 were HK\$8,108,000 and HK\$16,012,000 respectively.

The amount due from the Controlling Shareholder is unsecured, interest-free and repayable on demand.

The carrying amount approximates its fair value and is denominated in HK\$.

(c) Key management compensation

Key management includes executive directors of the Group. The compensation paid or payable to key management for employee services is disclosed Note 8(b).

(d) Guarantees from related parties

As at 31 March 2015 and 2016, bank borrowings of the Group of HK\$19,729,000 and HK\$18,629,000 respectively, were guaranteed by corporate guarantee and properties held by the Group.

26 Events after the balance sheet date

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 31 March 2016:

- (i) On 12 May 2016, C.Y. Food Trading (HK) Company Limited declared a special dividend in the sum of approximately HK\$17,000,000 to its then shareholder, which was settled on 17 May 2016 by way of offsetting its then outstanding amounts due from the Controlling Shareholder of approximately HK\$15,965,000, and with the remaining balance of approximately HK\$1,035,000 being settled by cash.
- (ii) On 28 April 2016, the Group has early settled two bank loans with outstanding balance of HK\$18,629,000 as at 31 March 2016 by entering into two 20-year loans totaled HK\$19,200,000. Such loans are guaranteed by the two executive directors of the Company and secured by properties held by the Group.
- (iii) The Reorganisation was completed on 22 June 2016 and the details are summarised in Note 1 (b).

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2016 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2016.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountant's Report on the financial information of our Group for the Track Record Period prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of our Company, as set out in Appendix I to this prospectus, and is included in this prospectus for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted combined net tangible assets of our Group attributable to the equity holders of the Company which has been prepared for the purpose of illustrating the effect of the Placing as if it had been taken place on 31 March 2016 and based on the audited combined net assets of the Group as at 31 March 2016 as shown in the Accountant's Report set forth in Appendix I to this prospectus and is adjusted as follows:

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2016	Estimated net proceeds from the Placing	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company	Unaudited pro forma adjusted combined net tangible assets per Share
	<i>HK\$'000</i> <i>(note 1)</i>	<i>HK\$'000</i> <i>(note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(note 3)</i>
Based on the Placing Price of HK\$0.225 per Share	21,393	53,960	75,353	0.059
Based on the Placing Price of HK\$0.25 per Share	21,393	61,680	83,073	0.065

Notes:

- The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2016 are based on audited combined net assets of the Group attributable to owners of the Company as at 31 March 2016 of approximately HK\$21,393,000 as shown in the financial information section of the Accountant's Report set out in Appendix I to this prospectus.
- The estimated net proceeds from the Placing are based on the Placing Price of HK\$0.225 and HK\$0.25 per Share respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses payable by the Group (excluding approximately HK\$2,481,000 listing-related expenses which have been accounted for prior to 31 March 2016).

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

3. The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,280,000,000 Shares were in issue assuming that the Placing has been completed on 31 March 2016 but takes no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and any Share which may be issued or repurchased by the Company pursuant to the general mandate to issue Shares or the general mandate to repurchase Shares.
4. The unaudited pro forma net adjusted tangible assets of our Group does not take into account the dividend of approximately HK\$17,000,000 declared by the Group in May 2016. The unaudited pro forma net tangible assets per Share would have been HK\$0.046 and HK\$0.052 per Share based on the Placing Price of HK\$0.225 and HK\$0.25 respectively, after taking into account the declaration of dividend in the sum of approximately HK\$17,000,000.
5. No adjustment has been made to reflect any trading result or other transaction entered into subsequent to 31 March 2016.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Goal Forward Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Goal Forward Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 March 2016, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 and II-2 of the Company's prospectus dated 30 September 2016, in connection with the proposed placing of shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 and II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed placing of shares on the Group's financial position as at 31 March 2016 as if the proposed placing of shares had taken place at 31 March 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended 31 March 2016, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed placing of shares at 31 March 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 September 2016

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this prospectus received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at 31 August 2016 of the property located in Hong Kong.

BMI APPRAISALS

BMI Appraisals Limited

33rd Floor, Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong
Tel: (852) 2802 2191 Fax: (852) 2802 0863
Email: info@bmintelligence.com Website: www.bmi-appraisals.com

30 September 2016

The Directors

Goal Forward Holdings Limited

Workshop No. A-B, 1/F
Sunking Factory Building
No. 1-7 Shing Chuen Road
Shatin, New Territories
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Goal Forward Holdings Limited (the “Company”) for us to value the property held by the Company and / or its subsidiaries (together referred to as the “Group”) located in Hong Kong. We confirm that we have conducted an inspection, made relevant enquiries and obtained such further information, as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 August 2016 (the “valuation date”).

BASIS OF VALUATION

Our valuation of the concerned property has been based on the Market Value, which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION METHODOLOGY

We have valued the property on market basis by the Comparison Approach assuming sale in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the market. Appropriate adjustments have then been made to account for the differences between the property and the comparables in terms of location, time, size and other relevant factors.

TITLE INVESTIGATION

We have caused land searches to be made at the Land Registry of Hong Kong. However, we have neither examined the original documents to verify ownership nor to ascertain the existence of any amendments, which do not appear on the copies handed to us. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumptions that the property is sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the value of the property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no forced sale situation in any manner is assumed in our valuation.

VALUATION CONSIDERATIONS

The site inspection was conducted by Ms. Yates Wong (MSc in Real Estate) on 20 June 2016. We have inspected the property externally and where possible, the interior of the property. In the course of our inspection, we did not note any serious defects. However, no structural survey has been made. We are, therefore, unable to report whether the property is free from rot, infestation or any other structural defects. No tests were carried out on any of its services.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, floor areas, identification of the property and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the property but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information so supplied.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

Our valuation has been prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Our valuation has been prepared under the generally accepted valuation procedures and is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK\$) and no allowances have been made for any exchange transfers.

Our Summary of Value and the Valuation Certificate are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED
Joannau W.F. Chan
BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director

Note: Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 23 years' experience in valuations of properties in Hong Kong.

SUMMARY OF VALUE

Property held and occupied by the Group in Hong Kong

Property	Market Value in existing state as at 31 August 2016 HK\$
Workshops A and B on 1 st Floor, Sunking Factory Building, Nos. 1-7 Shing Chuen Road, Shatin, New Territories, Hong Kong	55,500,000
Total:	<u>55,500,000</u>

VALUATION CERTIFICATE

Property held and occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2016 <i>HK\$</i>
Workshops A and B on 1 st Floor, Sunking Factory Building, Nos. 1-7 Shing Chuen Road, Shatin, New Territories, Hong Kong	The property comprises 2 units on the 1 st Floor of a 9-storey industrial building completed in about 1981.	The property is occupied for industrial and ancillary office purposes.	55,500,000
64/850th equal and undivided shares of and in Shatin Town Lot No. 26	The total saleable area ("SA") of the property is approximately 12,073 sq.ft. (or about 1,121.6 sq.m.). The property is held under New Grant No. 11228 for a term of 99 years commencing on 1 July 1898 which has been extended until 30 June 2047 pursuant to Section 6 of the New Territories Leases (Extension) Ordinance (Cap. 150).		

Notes:

1. The registered owner of the property is Healthy Cheer International Limited vide Memorial No. 10122900300342 dated 10 December 2010.
2. The property is subject to the following material encumbrances:
 - a. Deed of Mutual Covenant vide Memorial No. ST200836 dated 19 June 1981;
 - b. Mortgage to secure all moneys in respect of general banking facilities (PT.) in favor of China Construction Bank (Asia) Corporation Limited vide Memorial No. 16051601320032 dated 28 April 2016; and
 - c. Assignment of Rentals in favor of China Construction Bank (Asia) Corporation Limited vide Memorial No. 16051601320047 dated 28 April 2016.
3. The property is located within an "Industrial" zone under the Approved Shatin Outline Zoning Plan No. S/ST/32 gazetted on 11 December 2015.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 April 2016 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 26 September 2016. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY
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the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

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(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

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The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on

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terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue

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debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above.

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Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary

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relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

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(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

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(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

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Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

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All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

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(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

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(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the

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Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

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(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to

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be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 6 April 2016 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

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A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

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(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or

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(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 26 April 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

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(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

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For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

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4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 6 April 2016. Our Company has established a principal place of business in Hong Kong at Workshop A-B, 1/F Sunking Factory Building, No. 1-7 Shing Chuen Road, Shatin, New Territories, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 6 May 2016. CFN Lawyers in association with Broad & Bright has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. 1 nil-paid share was allotted and issued to the initial subscriber on 6 April 2016, and was subsequently transferred to Classic Line (an investment holding company wholly owned by Mr. Liu) on the same day.
- (b) Pursuant to the Reorganisation and as a consideration for the acquisition by Eminent Ace of the entire issued share capital of C.Y. Food from Mr. Liu, on 13 May 2016, 9,999 nil-paid Shares were allotted and issued to Classic Line.
- (c) Pursuant to the Reorganisation and as a consideration for the acquisition by the Company of the entire issued share capital of Eminent Ace from Classic Line, on 16 May 2016, 10,000 nil-paid Shares held by Classic Line were credited as fully paid.
- (d) On 26 September 2016, our Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.
- (e) Immediately following completion of the Placing, and taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, 1,280,000,000 Shares will be issued fully paid or credited as fully paid, and 720,000,000 Shares will remain unissued.
- (f) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our Shareholders passed on 26 September 2016” in this appendix and pursuant to the Share Option Scheme, our

Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

- (g) Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of our Shareholders passed on 26 September 2016

On 26 September 2016, resolutions in writing were passed by our Shareholders pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix IV to this prospectus;
- (b) the authorised share capital of our Company be increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by the creation of an additional 1,962,000,000 Shares of HK\$0.01 each, ranking pari passu with the existing Shares in all respects;
- (c) conditional on the Listing Department granting listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme) and on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the date falling 30 days after the date of the issue of this prospectus:
- (i) the Placing was approved and our Directors were authorised to allot and issue the Placing Shares pursuant to the Placing to rank pari passu with the then existing Shares in all respects;
- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" below in this appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be

granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Placing, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing but excluding or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e)

above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing or pursuant to the exercise of the options which maybe granted under the Share Option Scheme.

4. Corporate Reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the paragraphs headed “History, Development and Reorganisation – Reorganisation” in this prospectus for further details.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant’s Report of our Company, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History, Development and Reorganisation” in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

(i) Shareholders’ approval

The GEM Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our Shareholders on 26 September 2016, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Placing but excluding any Shares which may be issued under the Share Option Scheme and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the

Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

(ii) Source of funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The GEM Listing Rules prohibit our Company from knowingly repurchasing our Shares on GEM from a "core connected person" (as defined in the GEM Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company on GEM.

(b) Exercise of the Repurchase Mandate

On the basis of 1,280,000,000 Shares in issue immediately after completion of the Placing, our Directors would be authorised under the Repurchase Mandate to repurchase up to 128,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules) of any Director, has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable law and regulations from time to time in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of our Shares pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase our Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules). No core connected person (as defined in the GEM Listing Rules) has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:


- (a) an agreement for the sale and purchase dated 13 May 2016 entered into between Mr. Liu Chi Ching as vendor, and Eminent Ace Group Limited as purchaser, in relation to the sale and purchase of one issued share in the share capital of C.Y. Food Trading (HK) Company Limited (日新食品貿易(香港)有限公司), in consideration of which Goal Forward Holdings Limited allotted and issued an aggregate of 9,999 nil-paid Shares, credited as fully paid, to Classic Line Holdings Limited;
- (b) a share swap deed dated 16 May 2016 entered into between (i) Classic Line Holdings Limited; (ii) Goal Forward Holdings Limited; (iii) Eminent Ace Group Limited and (iv) Mr. Liu Chi Ching in relation to the transfer of the entire issued share capital in Eminent Ace Group Limited;
- (c) an agreement for the sale and purchase dated 18 May 2016 entered into between (i) Good Vision Limited, (ii) Goal Forward Holdings Limited, (iii) Classic Line Holdings Limited and (iv) Mr. Liu Chi Ching in relation to the sale and purchase of 15% of the issued share capital of Goal Forward Holdings Limited at a consideration of HK\$11,862,000;
- (d) an agreement for the sale and purchase dated 18 May 2016 entered into between (i) Golden Bliss Limited, (ii) Goal Forward Holdings Limited, (iii) Classic Line Holdings Limited and (iv) Mr. Liu Chi Ching in relation to the sale and purchase of 6% of the issued share capital of Goal Forward Holdings Limited at a consideration of HK\$4,745,000;
- (e) an agreement for the sale and purchase dated 18 May 2016 entered into between (i) Power Shield Limited, (ii) Goal Forward Holdings Limited, (iii) Classic Line Holdings Limited and (iv) Mr. Liu Chi Ching in relation to the sale and purchase of 4% of the issued share capital of Goal Forward Holdings Limited at a consideration of HK\$3,163,000;
- (f) an agreement for the sale and purchase dated 22 June 2016 entered into between Mr. Liu Chi Ching as vendor, and Lion Metro Limited as purchaser, in relation to the sale and purchase of 100,000 issued shares in the issued share capital of Healthy Cheer International Limited (康意國際有限公司), in consideration of which Eminent Ace Group Limited allotted and issued 99 fully-paid shares to Goal Forward Holdings Limited;

- (g) the Deed of Indemnity dated 26 September 2016 given by Mr. Liu Chi Ching and Classic Line Holdings Limited in favour of Goal Forward Holdings Limited (for itself and on behalf of its subsidiaries) containing indemnities referred to in the paragraph headed “Tax and other indemnities” in this appendix;
- (h) the Deed of Non-competition dated 26 September 2016 given by Mr. Liu Chi Ching and Classic Line Holdings Limited in favour of Goal Forward Holdings Limited (for itself and on behalf of its subsidiaries), details of which are set out in the paragraph headed “Non-competition undertakings” under the section headed “Relationship with Our Controlling Shareholders” in this prospectus; and
- (i) the Underwriting Agreement.


2. Intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group has registered the following trademark in Hong Kong that is considered to be or may be material to our business and with which we conduct the majority of our business:

Trademark	Registered owner	Class	Registration number	Duration
	C.Y. Food	35	303584089	3 November 2015 – 2 November 2025

As at the Latest Practicable Date, our Group has applied for registration of the following trademark in Hong Kong:

Trademark	Applicant for registration	Class	Application number	Date of registration
	C.Y. Food	35	303811419	20 June 2016

(b) Domain name

As at the Latest Practicable Date, our Group has registered the following domain name:

Domain name	Registered owner	Duration
<i>www.cyfood.com.hk</i>	C.Y. Food	16 May 2016 – 21 April 2026

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following the completion of the Placing or upon the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the GEM, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, will be as follows:

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of underlying Shares <i>(Note 1)</i>	Percentage of shareholding
Mr. Liu ^(Note 2)	Interest of a controlled corporation	720,000,000	56.25%

Notes:

- (1) All interests stated are long positions.
- (2) Mr. Liu beneficially owns the entire issued share capital of Classic Line. Therefore, Mr. Liu is deemed, or taken to be, interested in all the Shares held by Classic Line for the purpose of the SFO. Mr. Liu is the sole director of Classic Line.

(b) Interests of substantial and other Shareholders in our Shares and underlying Shares

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Placing, or pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Placing, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of interest	Number of underlying Shares <i>(Note 1)</i>	Percentage of shareholding
Classic Line	Beneficial Owner	720,000,000	56.25%
Good Vision	Beneficial owner	144,000,000	11.25%
Tang Palace ^{<i>(Note 2)</i>}	Interest of a controlled corporation	144,000,000	11.25%
Tang Palace (China) Holdings Limited ^{<i>(Note 3)</i>}	Interest of a controlled corporation	144,000,000	11.25%

Notes:

- (1) All interests stated are long positions.
- (2) Tang Palace beneficially owns the entire issued share capital of Good Vision. Therefore, Tang Palace is deemed, or taken to be, interested in all the Shares held by Good Vision for the purpose of the SFO.
- (3) Tang Palace (China) Holdings Limited (stock code: 1181), a company listed on the Main Board of the Stock Exchange, beneficially owns the entire issued share capital of Tang Palace. Therefore, Tang Palace (China) Holdings Limited is deemed, or taken to be, interested in all the Shares in which Tang Palace is interested for the purpose of the SFO.

2. Particulars of service contracts

Each of our Directors has entered into a service contract or an appointment letter (as the case may be) with our Company for an initial fixed term of three years commencing on the Listing Date which may only be terminated in accordance with the provisions of the service contract or the appointment letter (as the case may be) or by (i) our Company giving to any Director not less than three months' prior notice in writing or (ii) by any Director giving to our Company not less than one month's prior notice in writing.

3. Remuneration of Directors

- (a) The aggregate remuneration paid by our Group to our Directors in respect of the two years ended 31 March 2015 and 2016 were approximately HK\$1,332,000 and HK\$1,503,000 respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2017 will be approximately HK\$1,789,000.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors

Mr. Liu Chi Ching	HK\$1,200,000
Ms. Wu Shuk Kwan	HK\$600,000

Non-executive Director

Mr. Wong Chung Yeung	HK\$72,000
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Independent non-executive Directors

Ms. Li On Lei	HK\$144,000
Mr. Ng Ki Man	HK\$144,000
Mr. Lo Siu Kit	HK\$144,000

- (d) Each of our Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

4. Agency fee or commission received

Save as disclosed in the section headed “Underwriting – Underwriting arrangements and expenses” of this prospectus, none of our Directors or the experts named in the paragraph headed “Consents of experts” in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 25 to the Accountant’s Report of our Company set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed “Further information about our Company” in this appendix, and taking no account of Shares which may be taken up under the Placing, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Placing, have an interest or short position in our Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (b) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the GEM;
- (c) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (d) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 26 September 2016. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	26 September 2016, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolutions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the Business Day immediately preceding the tenth anniversary thereof

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 26 September 2016:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (fulltime and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or services provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fall within the period before listing.

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(v) Maximum number of Shares

- (aa) subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 128,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 128,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted

for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the GEM Listing Rules in this regard.

- (cc) our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the GEM Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to certain connected persons

- (aa) Any grant of an option to a Director, chief executive or Substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

(bb) Where any grant of options to a Substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

- (i) representing in aggregate over 0.1% of our Shares in issue; and
- (ii) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million, such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the GEM Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

(aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of our Board meeting (such date to first be notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of the results for any year, half-year or quarterly under the GEM Listing Rules, or other interim period (whether or not required under the GEM Listing Rules).

(bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published and:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that our Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent

which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of six months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and, or any persons controlled by the offeror and, or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) Rights on winding-up

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than 2 Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the

extent that they have not been exercised, lapse and determine. Our Board shall endeavour to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which our Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xiv), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (ix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

(xxiii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.
- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the GEM Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(xxiv) Termination to the Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on the Listing Division of the Stock Exchange granting the listing of, and permission to deal in our Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Division for listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders (collectively, the “**Indemnifiers**”) have, under a deed of indemnity referred to in paragraph (f) of the paragraph headed “B. Further information about our Business – 1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things, (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which our Placing becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which our Placing becomes unconditional; and (b) any claims, actions, demands, proceedings, judgements, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which our Placing becomes unconditional. Our Indemnifiers will, however, not be liable under the deed of indemnity to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited combined accounts of our Company for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which our Placing becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of any members of our Group after 31 March 2016 up to and including the date on which our Placing becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Our Directors confirmed that as at the Latest Practicable Date, save as otherwise disclosed in the prospectus, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for listing of and permission to deal in our Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

The Sponsor's fees are HK\$4,200,000 and are payable by the Company.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$33,540 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualification
Frontpage Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Appleby	Legal adviser to our Company as to Cayman Islands law
Euromonitor International Limited	Market research consultant
BMI Appraisals Limited	Property valuer

7. Consents of experts

Each of Frontpage Capital Limited, PricewaterhouseCoopers, Appleby, Euromonitor International Limited and BMI Appraisals Limited has given and has not withdrawn its written consents to the issue of this prospectus, with the inclusion of its letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which they respectively appear.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted into CCASS.

10. Material adverse change

Our Directors confirm, save for the matters disclosed in the section headed "Financial Information – Material adverse change" of this prospectus, that there has been no material adverse change in the financial or trading position or prospects of our Company or its subsidiaries since 31 March 2016 (being the date to which the latest audited financial statements of our Group were made up) and up to the Latest Practicable Date.

11. Taxation of holders of Shares**(a) Hong Kong**

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Placing accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

12. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) Within the two years immediately preceding the date of this prospectus:

(aa) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

(cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;

(dd) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and

(ee) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option.

(ii) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;

(iii) none of Frontpage Capital Limited, PricewaterhouseCoopers, Euromonitor International Limited, Appleby and BMI Appraisals Limited:

(aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or

(bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares.

- (iv) our Company and its subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (v) our Directors have been advised that, under Cayman Islands laws, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands laws;
- (vi) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (vii) our Group has no outstanding convertible debt securities; and
- (viii) the English text of this prospectus shall prevail over the Chinese text.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG
KONG**

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the written consents referred to in the paragraph headed “Consents of experts” in Appendix V to this prospectus and copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of CFN Lawyers in association with Broad & Bright at Room 4124, 41/F, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the accountant’s report prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group prepared by PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (d) the audited combined financial statements of the companies now comprising the Group for the two years ended 31 March 2016;
- (e) the letter with valuation certificate relating to our property prepared by BMI Appraisals Limited, the text of which is set forth in Appendix III to this prospectus;
- (f) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus;
- (g) the rules of the Share Option Scheme referred to in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus;
- (h) the written consents referred to in the paragraph headed “Consents of experts” in Appendix V to this prospectus;
- (i) the Companies Law; and
- (j) the letter prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus.