

SUMMARY

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

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 (<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 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			
	Percentage of total		Sales volume	Average selling price	Percentage of total		Sales volume	Average selling price
	Revenue	sales			Revenue	sales		
<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.

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

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.

SUMMARY

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.

PRODUCTION CAPACITY AND UTILISATION RATE

The aggregate production capacity and the utilisation rate of our production base 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 production capacity (tonne)	Production Volume (tonne)	Utilisation rate	Estimated annual production capacity (tonne)	Production 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%

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 production process and on all production lines. Please refer to the section headed "Business – Quality Control" in this Document for further details.

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

SUMMARY

BUSINESS STRATEGIES

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

RECENT DEVELOPMENTS

On 1 June 2016, we entered into an agreement with an Independent Third Party, 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.

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 month ended 30 April 2016, our sales have shown an increase of 14.1% 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.

[REDACTED]

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 [REDACTED]. The [REDACTED] to be borne by our Group are estimated to be approximately HK\$[REDACTED] (assuming a [REDACTED] Price of HK\$[REDACTED], being the midpoint of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED] Share), of which (i) approximately HK\$[REDACTED] is directly attributable to the issue of [REDACTED] Shares which is to be accounted for as a deduction from equity; (ii) approximately HK\$[REDACTED] has been charged to profit or loss of our Group for the year ended 31 March 2016; and approximately HK\$[REDACTED] 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 [REDACTED] 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 [REDACTED] on the financial performance of our Group for the year ending 31 March 2017.

SUMMARY

Save as disclosed above, our Directors have confirmed that, up to the date of this document, 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 document) 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 document.

MARKET COMPETITION

We operate as a food ingredients supplier within the food service industry in Hong Kong. According to the Euromonitor Report, 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. 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.

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
- The financial performance of our Group for the year ending 31 March 2017 will be significantly affected by the one-off [REDACTED] and an expected increase in administrative expenses of our Group
- 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

SUMMARY

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" in this document, and investors should read the entire section before deciding to invest in the [REDACTED] 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

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	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>

SUMMARY

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	205.2%	89.0%
Interest coverage	28.0	24.4

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 [REDACTED].

SHAREHOLDER INFORMATION

Immediately following the completion of the [REDACTED], Mr. Liu and Classic Line, which is beneficially and wholly-owned by Mr. Liu, will hold [REDACTED] Shares (representing [REDACTED]% of the enlarged issued share capital of our Company). For the purposes of the GEM Listing Rules, Mr. Liu and Classic Line are the Controlling Shareholders. Please refer to the section headed "Relationship with our Controlling Shareholders" in this document for further details.

REASONS FOR THE [REDACTED]

Despite the considerable expenses for the [REDACTED], 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

SUMMARY

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 [REDACTED] 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 [REDACTED] and the [REDACTED] 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 [REDACTED] 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.

[REDACTED]

SUMMARY

[REDACTED]

Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] Share, being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED], we will receive [REDACTED] of HK\$[REDACTED]. All expenses (including underwriting fees) in connection with the [REDACTED] to our Group are estimated to be approximately HK\$[REDACTED]. Consequently, we should receive [REDACTED], after deducting all related expenses (including underwriting fees), of approximately HK\$[REDACTED] from the [REDACTED]. Our Directors intend to apply such [REDACTED] as follows:

	Total <i>(HK\$'000)</i>	Approximate percentage <i>(%)</i>
Expansion of production plant and processing facilities	[REDACTED]	[REDACTED]
Further strengthening our manpower	[REDACTED]	[REDACTED]
Expansion of logistic team	[REDACTED]	[REDACTED]
Enhancement of sales channels	[REDACTED]	[REDACTED]
General working capital	<u>[REDACTED]</u>	<u>[REDACTED]</u>
	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Please refer to the section headed "Business Objectives and Future Plans" in this document for details.