
RISK FACTORS

Prospective investors should consider carefully all the information set forth in this document and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the [REDACTED]. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and 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 document 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 document. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this document. The trading price of the [REDACTED] 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.

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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

Our Directors consider that our Group's financial performance for the year ending 31 March 2017 would be significantly affected by the recognition of [REDACTED] and increase in administrative expenses. Based on the current estimate, one-off [REDACTED] of approximately HK\$[REDACTED] will be charged to our profit or loss accounts for the year ending 31 March 2017. In addition, there will be an expected increase in administrative expenses for the year ending 31 March 2017, which is primarily attributable to the increase in remuneration of the existing Directors and the appointment of the new independent non-executive Directors and professional parties prior to and after the [REDACTED]. 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.

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

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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.

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. 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.

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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. 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 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.

RISKS RELATING TO OUR INDUSTRY

We cannot guarantee that the licences and certificates required for the production 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 production 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 production 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.

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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 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.

We face risks related to instances of food-borne illnesses, health epidemics and other outbreaks

Our industry is susceptible to food-borne illnesses, health epidemics and other outbreaks. Although the food ingredients we procure are from approved reliable sources, there are always risks that such food ingredients are contaminated, whether at the stage of agricultural cultivation and production, such as by pesticides, or by any disease in the course of transit. This is beyond our control and may also give rise to claims or allegations by our customers. 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.

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 [REDACTED]

An active trading market of the Shares may not develop

Prior to the [REDACTED], there has been no public market for any of the Shares. The initial [REDACTED] range for the [REDACTED] Shares was the result of negotiations among our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]). The [REDACTED] may differ significantly from the market price for the Shares following the [REDACTED]. However, even if approved, being [REDACTED] on GEM does not guarantee that an active trading market for the Shares will develop following the [REDACTED] or that the Shares will always be [REDACTED] and traded on GEM. Our

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Group cannot assure that an active trading market will develop or be maintained following completion of the [REDACTED], or that the market price of the Shares will not fall below the [REDACTED].

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 [REDACTED], 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.

Purchasers of the [REDACTED] 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 [REDACTED] range, the [REDACTED] is expected to be higher than the net tangible asset value per Share immediately prior to the [REDACTED]. Therefore, the purchasers of the [REDACTED] Shares will experience an immediate dilution in unaudited pro forma net tangible asset value to approximately HK\$[REDACTED] per Share and approximately HK\$[REDACTED] 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 [REDACTED] of HK\$[REDACTED] per [REDACTED] Share and HK\$[REDACTED] per [REDACTED] 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 [REDACTED] 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

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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 DOCUMENT

Statistics and facts in this document have not been independently verified

This document 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 for such statistics and facts and has 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 [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors or any other parties involved in the [REDACTED] and therefore, our Company makes no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

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

This document 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 document.

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

Prior to the publication of this document, there might have been press articles and media coverage regarding us and the [REDACTED] which might include certain financial information, financial projections, and other information about us which do not appear in this document. 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 document.