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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 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.

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

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the year ended 31 March 2016 have cooperated with us for over seven years. 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. 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 document. 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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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 also plan to enhance our sales channels such as by simplifying the product-ordering process of our food ingredients through the development of an online ordering system, which will allow more convenience to our customers and result in us accessing a greater customer base. 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 production capacity and upgrade processing facilities

We aim to expand our production 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 production 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 will be conditionally adopted by our Company, will supplement our existing compensation plans and bonuses, which will attract and help retain suitable personnel for our Group.

OUR BUSINESS MODEL

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

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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/the PRC	Bright green in colour, firm stalk and leaves, stems should not be dry	Remove budding flowers and bunch into 4
Kale	Hong Kong/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/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/the PRC	Medium- to small-sized root, smooth exterior, good orange colour	Peel and slice into 6cm long by 2 cm wide matchsticks



Vegetables

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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 (note)	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	Customer A (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	Customer C (note 3)	6	30-40 days	Cheque	9,646	6.3
4	Customer D (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	Customer A	7	30 days	Cheque	20,768	12.5
2	Customer B	7	50 days	Electronic funds transfer	16,808	10.1
3	Customer D	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	Customer C	7	30-40 days	Cheque	9,320	5.6
	Total				66,467	40.0

Notes:

- Customer A manages over 30 restaurants and operates over 20 food and beverage brands in Hong Kong.
- Customer B provides catering services to a large network of offices, government departments, schools, hospitals and factories.
- Customer C specialises in serving Chinese cuisine, with a focus on dim sum. It operates over 10 restaurants in Hong Kong.
- Customer D manages around 30 restaurants serving Chinese and Japanese cuisines in Hong Kong.
- Customer E manages over 60 restaurants and around 20 food and beverage brands spanning a wide range of international cuisines in Hong Kong.
- 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. 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

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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.

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. During the Track Record Period, one and two of our top five customers, namely Customer D, and Customer D 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.

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:

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- 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.

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. Specific provisions will be made 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 document.

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.

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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. This is done only after proper inspection and examination by our Sales and Customer Service Department that the food ingredient is defective or damaged. 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

The prices of our products are determined 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. Our quotations are computed 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 being formally issued 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

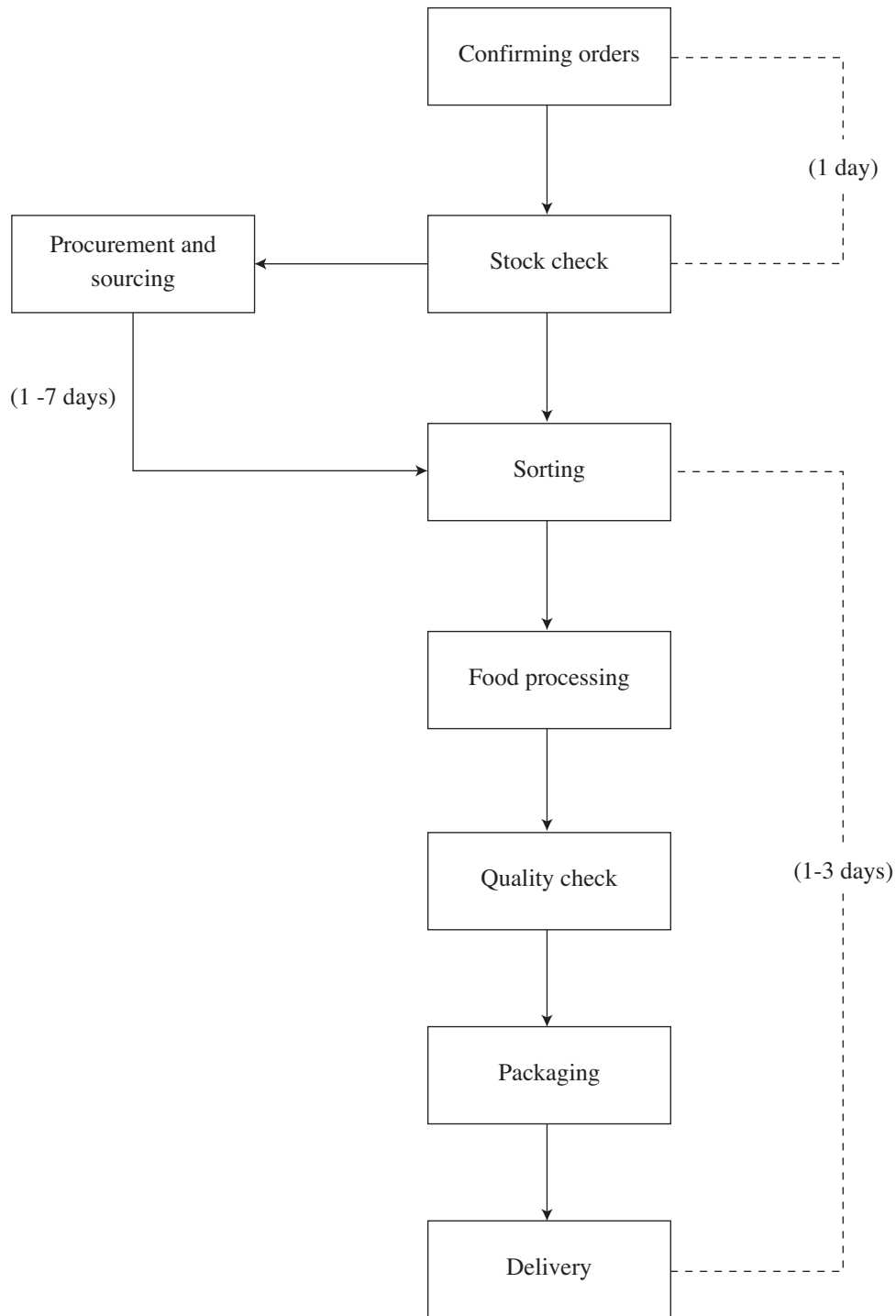
Our Group generally achieves higher sales in the month of December of each year – representing the month of Christmas, and the months of January to mid-February of each year – representing the months of and leading up to Chinese New Year, when compared to the remaining months of each year. Our Directors 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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PRODUCTION

Production process

Set out below is our standard production process:



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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 production process:

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 27 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 27 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 document 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 production process, 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

Other principal equipment used in our production 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.

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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 production 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.

Production capacity and planning

Our Group conducts general production planning based on anticipated purchase order volumes, and conducts detailed production planning based on actual orders received. Our Group reviews and adjusts its production plans regularly to ensure all finished products can be delivered in accordance with customer demands and to avoid from running-out of our production capacity. The aggregate production 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 production capacity (note 1) (tonne)	Production Volume (tonne)	Utilisation rate (note 2)	Estimated annual production capacity (note 1) (tonne)		Production volume (note 2) (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%		

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Notes:

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

Our overall production facility utilisation rate was higher in the year ended 31 March 2016, as compared with 2015. The increase in utilisation rate of our production 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 production lines for vegetables. In view of the strong demand of our products, we plan to expand our production base and production lines for processing vegetables, especially for leaf type and root and rhizome type vegetables. In the future, we plan to further acquire new production base facilities and machinery, such as washing and drying machines, various of cutting machines and chemical detection devices, as well as to upgrade the production facilities and machinery of our existing production lines to further increase our production capacity, especially for leaf type and root and rhizome type vegetables. In this regard, we plan to further invest approximately HK\$27,449,000, out of which approximately HK\$22,500,000 will be invested as downpayment for acquiring a new production base of approximately 9,000 to 10,000 sq.ft. in the industrial area in New Territories, approximately HK\$4,149,000 will be invested in the renovation and installation of the premises in accordance to the food safety standard, and the remaining HK\$800,000 will be invested in acquiring for new machines. We estimate that the expansion would be completed by mid 2017 and by the time of completion of expansion, our vegetables production capacity will be increased by approximately 113.4%. Having considered our existing production capacity are almost saturated, although there may be spare new capacity shortly after the expansion is completed, our Directors believe that future demand, and our Directors' efforts in bringing in new customers would justify the need for extra production capacity.

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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.

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

Our food ingredient procurement is determined based on our Group's existing orders or forecast and estimation of orders. Our Sales and Customer Service Department determines the production 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.

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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

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

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which Mr. Liu had had a beneficial interest during the Track Record Period, each of our suppliers is an Independent Third Party. For details of our transactions with Au Kit Ying, please refer to the section headed "Connected Transactions" in this document.

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.

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 production process and on all production 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 production process. 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 document. 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 production process 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 production 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.

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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, 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 domestic suppliers within our suppliers' list. 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.

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 production process

After inspection and sorting, the food ingredients proceed directly to the production process.

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.

Preventative checks are conducted by our Operations Department 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 damage is caused to the food ingredients. The refrigeration facilities are also routinely pressure cleaned to prevent food-borne illnesses and deterioration of food ingredients.

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The numerous types of washing machines, cutting machines and packaging machines used in the production process are checked by our Operations Department on a monthly basis for food safety and technical maintenance purposes. During the production process, 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 production process 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.

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. 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.

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.

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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.

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 document 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.

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EMPLOYEES

As at the Latest Practicable Date, we had 71 full-time employees who were directly employed by our Group in Hong Kong. A breakdown of our employees by function as at the same date is set forth below:

	Number of employees
Management	7
Sales and Customer Service	19
Finance, Accounting and Administration	4
Procurement	5
Operations	27
Quality Control	7
Logistics	<u>2</u>
Total	<u><u>71</u></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.

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.

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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.

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

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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 (sq.m.)
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 (sq.m.)	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
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

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Property	Usage	Total gross floor area <i>(sq.m.)</i>	Monthly rental expenses	Term
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 document.

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.

To enhance our internal controls as well as in connection with the [REDACTED], 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, production 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.

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 [REDACTED]

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.

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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, 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.

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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 document, 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 production equipment to attend training sessions on the required safety standards and we provide our employees with regular work place safety trainings.

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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 [REDACTED], 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.