
BUSINESS OBJECTIVES AND FUTURE PLANS

BUSINESS OBJECTIVES

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

FUTURE PLANS AND BUSINESS STRATEGIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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IMPLEMENTATION PLANS

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

From the Latest Practicable Date to 31 March 2017

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

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Business strategy	Implementation activities	[REDACTED]
Enhancement of sales channels	– Enhance our sales channels such as upgrading of mobile sales application and developing an internet sales platform	[REDACTED] of approximately [REDACTED]

From 1 April 2017 to 30 September 2017

Business strategy	Implementation activities	[REDACTED]
Further strengthening our manpower	– Recruit two additional sales personnel to expand our sales team	[REDACTED] of approximately [REDACTED]
	– Recruit approximately 15 additional operation staff to improve our processing capacity	
	– Recruit an additional procurement personnel to further strengthen our sourcing network	
	– Assess the sufficiency of our labour resources having to our business development	
Expansion of logistic team	– Acquire two additional chilled 5.5 tonne trucks and a non-chilled 5.5 tonne trucks	[REDACTED] of approximately [REDACTED]
	– Recruit approximately six additional distribution staff responsible for driving and delivering	
	– Maintain the cost of additional trucks acquired and distribution staff recruited	
Enhancement of sales channels	– Enhance our sales channels such as maintaining and upgrading of mobile sales application and internet sales platform	[REDACTED] of approximately [REDACTED]

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From 1 October 2017 to 31 March 2018

Business strategy	Implementation activities	[REDACTED]
Further strengthening our manpower	– Maintain the cost of additional staff recruited	[REDACTED] of approximately [REDACTED]
	– Continue to assess the sufficiency of our labour resources having to our business development	
Expansion of logistic team	– Maintain the cost of additional trucks acquired and distribution staff recruited	[REDACTED] of approximately [REDACTED]
Enhancement of sales channels	– Enhance our sales channels such as maintaining and upgrading of mobile sales application and internet sales platform	[REDACTED] of approximately [REDACTED]

From 1 April 2018 to 30 September 2018

Business strategy	Implementation activities	[REDACTED]
Further strengthening our manpower	– Recruit two additional sales personnel to expand our sales team	[REDACTED] of approximately [REDACTED]
	– Recruit approximately ten additional operational staff to improve our processing capacity	
	– Recruit an additional procurement personnel to further strengthen our sourcing network	
	– Maintain the cost of additional staff recruited	
	– Continue to assess the sufficiency of our labour resources having to our business development	

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Business strategy	Implementation activities	[REDACTED]
Expansion of logistic team	<ul style="list-style-type: none">– Acquire three additional chilled 5.5 tonnes trucks– Recruit approximately six additional distribution staff responsible for driving and delivering– Maintain the cost of additional trucks acquired and distribution staff recruited	[REDACTED] of approximately [REDACTED]
Enhancement of sales channels	<ul style="list-style-type: none">– Enhance our sales channels such as maintaining and upgrading of mobile sales application and internet sales platform	[REDACTED] of approximately [REDACTED]

From 1 October 2018 to 31 March 2019

Business strategy	Implementation activities	[REDACTED]
Further strengthening our manpower	<ul style="list-style-type: none">– Maintain the cost of additional staff recruited– Continue to assess the sufficiency of our labour resources having to our business development	[REDACTED] of approximately [REDACTED]
Expansion of logistic team	<ul style="list-style-type: none">– Maintain the cost of additional trucks acquired and distribution staff recruited	[REDACTED] of approximately [REDACTED]
Enhancement of sales channels	<ul style="list-style-type: none">– Enhance our sales channels such as maintaining and upgrading of mobile sales application and internet sales platform	[REDACTED] of approximately [REDACTED]

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BASES AND KEY ASSUMPTIONS

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

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

REASONS FOR THE [REDACTED] AND THE USE OF [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 solely obtaining debt financing because our Directors are in the views that maintaining a lower level of borrowings would benefit our Group and Shareholders as a whole. Given that the uncertain interest rate movement going forward (which may expose to increasing borrowing costs in the future via debt financing), our Directors believe that our Group’s financial performance and liquidity may be negatively affected due to the principal and interest payments if we proceed with debt financing to fund all of our business expansion.

According to the Euromonitor Report, the overall vegetables and fruits supply services industry is comparatively fragmented in Hong Kong with more than five hundreds of vegetables and fruits supply service providers. Our Directors believe that the [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

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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.

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

	From the Latest Practicable Date to 31 March 2017 (HK\$'000)	For the six months ending 30 September 2017 (HK\$'000)	For the six months ending 31 March 2018 (HK\$'000)	For the six months ending 30 September 2018 (HK\$'000)	For the six months ending 31 March 2019 (HK\$'000)	Total (HK\$'000)	Approximate percentage (%)
Acquisition of new processing base, facilities and equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further strengthening our manpower	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Establishment of logistic team	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhancement of sales channels	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

The [REDACTED] from the issue of the [REDACTED] will be approximately 90.0% utilised by 31 March 2019 and approximately [REDACTED] will be used as working capital and funding for other general corporate purposes according to our current business plans. Our Directors consider that the [REDACTED] from the issue of the [REDACTED] of approximately [REDACTED] and our internal resources will be sufficient to finance our business plans as schedule up to the year ending 31 March 2019. In the event that we would require additional financing apart from the [REDACTED] from the issue of the [REDACTED] for our future plans, the shortfall will be financed by our internal resources.

We estimate that the additional [REDACTED] to be received by our Company will be approximately [REDACTED], after deducting all related expenses (including underwriting fees), assuming a [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED].

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If the final [REDACTED] is set at the highest or lowest point of the indicative [REDACTED] range, the [REDACTED] of the [REDACTED] will increase or decrease by approximately [REDACTED], respectively. In such event, the [REDACTED] will be used in the same proportions as disclosed above irrespective of whether the [REDACTED] is determined at the highest or lowest point of the indicative [REDACTED] range.

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

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