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

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

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

OVERVIEW

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

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

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

BASIS OF PREPARATION

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

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

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Price of fresh vegetables and fruits

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

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

Demand for our fresh vegetables and fruits

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

Revenue recognition

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

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

Useful lives of property, plant and equipment

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

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

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

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

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

Inventories

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

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

Current and deferred income tax

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

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

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

PRINCIPAL COMPONENTS OF OUR COMBINED STATEMENTS OF COMPREHENSIVE INCOME

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

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

Revenue

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

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

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

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

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

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

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

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

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

Cost of sales

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

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

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

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

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

Notes:

1. Direct labour costs includes the costs incurred for self-employed individuals amounted to HK$1,874,000 and HK3,214,000 for the two years ended 31 March 2015 and 2016, respectively.

2 Other processing costs primarily include rent, rates and building management fees and utilities.

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

Gross profit

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

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

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

Selling and administrative expenses

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

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

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

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

Finance costs

Finance costs consist of interest expenses on bank borrowings.

Income tax expenses

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

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

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

Cost of sales

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

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

Gross profit and gross margin

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

Vegetables

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

Fruits

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

Other food ingredients

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

Selling and administrative expenses

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

Finance costs

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

Income tax expenses

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

Profit for the year

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

INDEBTEDNESS

Borrowings

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

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

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

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

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

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

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

COMMITMENTS

Operating leases

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

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

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

Contingent liabilities

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

Disclaimer

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

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

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Overview

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

Cash flow

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

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

Cash flow from operating activities

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

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

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

For the year ended 31 March 2016, we had net cash generated from operating activities in the amount of approximately HK$3,486,000. This was primarily due to cash generated from operations of approximately HK$7,331,000, partially offset by income tax paid amounted to approximately HK$3,258,000 and interest paid of HK$587,000. The movement in working capital for the year was mainly attributable to (i) increase in trade receivables of approximately HK$3,621,000, mainly due to the strong fourth quarter sales for the year ended 31 March 2016, which was 15.2% higher than the corresponding period for the year ended 31 March 2015, driven by the expansion of our customer base and higher selling price for vegetables and fruits due to the unstable weather at the relevant time; and (ii) decrease in trade payables of approximately HK$3,566,000, mainly due to an early installment payment made in relation to purchases from our largest supplier in March 2016 as requested by the supplier because of the fluctuation of vegetables and fruits prices amid the unstable weather at the relevant time. Our Directors considered the early payment request to be reasonable and acceptable in view of the long-term business relationship with the supplier and the market condition at that time.

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

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

Cash flow from investing activities

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

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

Cash flow from financing activities

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

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

Financial resources

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

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

NET CURRENT ASSETS

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

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

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

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

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

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

WORKING CAPITAL

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

ANALYSIS OF SELECTED COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

Trade Receivables

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

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

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

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

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

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

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

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

Trade payables

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

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

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

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

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

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

Inventories

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

	As at 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Raw materials	295	863
Less: Provision for obsolete inventories	–	–
Inventories, net	295	863

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

Our inventory turnover days, calculated as the average of inventory at the beginning of the period and inventory at the end of the period divided by the cost of sales for the same period and multiplied by 365 days for each of the years ended 31 March 2015 and 2016, increased from 0.8 days in 2015 to 1.5 days in 2016. The increase mainly reflected the management strategy to increase the stock level in February and March in 2016 as explained above. Our Group will continue to maintain inventory levels based on our estimated sales orders and market condition. During the Track Record Period, we did not make any provision to the value of our inventories.

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

Amount due from the Controlling Shareholder

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

SELECTED KEY FINANCIAL RATIOS

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

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

Notes:

1. Return on assets is calculated based on the net profit for the period divided by the total assets at the end of the respective period, multiplied by 100% for each of the years ended 31 March 2015 and 2016.

2. Return on equity is calculated based on the net profit attributable to the owners of our Company for the period divided by the total equity attributable to the owners of our Company at the end of the respective period, multiplied by 100% for each of the years ended 31 March 2015 and 2016.

3. Current ratio is calculated based on the total current assets at the end of the period divided by the total current liabilities at the end of the respective period.

4. Quick ratio is calculated based on the total current assets (less inventory) at the end of the period divided by the total current liabilities of the respective period.

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

6. Interest coverage is calculated based on the net profit before interest and tax for the period divided by the interest expenses for the respective period.

Return on assets

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

Return on equity

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

Current ratio

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

Quick ratio

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

Gearing ratio

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

Interest coverage

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

MARKET RISKS

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

Credit risk

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

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

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

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

Liquidity risk

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

Interest rate risk

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

Foreign exchange risk

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

PROPERTY INTERESTS AND VALUATION OF PROPERTY

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

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

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

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

DIVIDEND AND DISTRIBUTABLE RESERVES

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

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

[REDACTED]

Our Group's financial performance for the year ending 31 March 2017 will be affected by the non-recurring expenses incurred in relation to the [REDACTED]. The [REDACTED] to be borne by our Group are estimated to be approximately [REDACTED] (assuming a [REDACTED] of [REDACTED], being the midpoint of the indicative [REDACTED] range of [REDACTED] to [REDACTED] per [REDACTED]), of which (i) approximately [REDACTED] is directly attributable to the issue of [REDACTED] which is to be accounted for as a deduction from equity; (ii) approximately [REDACTED] has been charged to profit or loss of our Group for the year ended 31 March 2016; and approximately [REDACTED] is to be charged to profit or loss of our Group for the year ending 31 March 2017. Such cost is a current estimate and for reference only. The final amount to be recognised to the profit or loss of our Group or to be capitalised is subject to adjustment based on audit and the changes in variables and assumptions.

FINANCIAL PERFORMANCE FOR THE YEAR ENDING 31 MARCH 2017

Our Directors consider that our Group's financial performance for the year ending 31 March 2017 would be significantly deteriorated as affected by the increase in the [REDACTED] and administrative expenses. [REDACTED] of approximately [REDACTED] are expected to be charged to the combined statements of comprehensive income for the year ending 31 March 2017. In addition, there will be an expected increase in administrative expenses which is primarily attributable to the increase in Directors' remuneration and other professional fees for the year ending 31 March 2017 arising from the increase in remuneration of our Directors and the appointment of our new independent non-executive Directors and professional parties prior to and after the [REDACTED].

Our Directors are of the opinion that there has been no fundamental deterioration in the commercial and operational viability in our Group's business despite the expected increase in our Directors' remuneration and professional fees and the non-recurring [REDACTED].

MATERIAL ADVERSE CHANGE

The impact of the [REDACTED] on the profit or loss accounts has posted a material adverse change in the financial or trading position or prospect of our Group since 31 March 2016 (being the date of the latest audited combined financial statements were made up). Prospective investors should be aware of the impact of the [REDACTED] on the financial performance of our Group for the year ending 31 March 2017.

Save as disclosed above, our Directors have confirmed that, up to the date of this document, there had been no material adverse change in the financial or trading positions or prospect of our Company or its subsidiaries since 31 March 2016 (being the date of which our Group's latest audited combined financial statements were made up as set out in the Accountant's Report in Appendix I to this document) and there had been no event since 31 March 2016 which would materially affect the information shown in the Accountant's Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

[REDACTED]