



Best Mart 360 Holdings Limited

優品360控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 2360

Share Offer

Sole Sponsor



Sole Bookrunner



IMPORTANT

IMPORTANT: If you are in any doubt about any contents of this prospectus, you should obtain independent professional advice.



Best Mart 360 Holdings Limited

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(incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares : 250,000,000 Shares
Number of Public Offer Shares : 25,000,000 Shares (subject to re-allocation)
Number of Placing Shares : 225,000,000 Shares (subject to re-allocation)
Maximum Offer Price : HK\$1.2 per Offer Share (payable in full upon application, plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%, subject to refund)
Nominal Value : HK\$0.01 per Share
Stock Code : 2360

Sole Sponsor



Sole Bookrunner



Joint Lead Managers



Co-Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement to be entered into between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on or around Friday, 4 January 2019, and in any event no later than Wednesday, 9 January 2019. If, for any reason, the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Wednesday, 9 January 2019, the Share Offer will not become unconditional and will lapse immediately. The Offer Price will not be more than HK\$1.2 per Offer Share and is currently expected to be not less than HK\$1.0 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer.

The Sole Bookrunner (for itself and on behalf of the Underwriters) may, where considered appropriate, and with the consent of our Company, reduce the indicative Offer Price range and/or the number of Offer Shares being offered under the Share Offer stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the reduction in the indicative Offer Price range and/or the number of Offer Shares being offered under the Share Offer will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.bestmart360.com not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in "Structure and Conditions of the Share Offer" and "How to apply for Public Offer Shares".

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Pursuant to the termination provisions contained in the Public Offer Underwriting Agreement in respect of the Public Offer Shares, the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) shall have the right in certain circumstances to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement by notice in writing to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be Friday, 11 January 2019). Further details of these termination provisions are set out in the section headed "Underwriting" of this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered or sold, pledged or transferred within the United States or to, or for the account or benefit of any U.S. Persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

No information on any website forms part of this prospectus.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, our Company will issue a separate announcement on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.bestmart360.com.

Application lists open ⁽²⁾	11:45 a.m. on Friday, 4 January 2019
Latest time for lodging WHITE and YELLOW Application Forms	
	12:00 noon on Friday, 4 January 2019
Latest time for giving electronic application instructions to HKSCC ⁽³⁾	
	12:00 noon on Friday, 4 January 2019
Application lists close ⁽²⁾	12:00 noon on Friday, 4 January 2019
Expected Price Determination Date ⁽⁴⁾	Friday, 4 January 2019
Announcement of the final Offer Price, level of indication of interest in the Placing, level of applications of the Public Offer and the basis of allocation of the Public Offer Shares to be published on the website of the Stock Exchange at www.hkexnews.hk ; and on the website of our Company at www.bestmart360.com	
	Thursday, 10 January 2019
Results of allocations in the Public Offer (with successful applicants' identification document numbers or Hong Kong business registration numbers, where appropriate) to be available through a variety of channels, including the website of the Stock Exchange at www.hkexnews.hk , the website of our Company at www.bestmart360.com and the designated website at www.iporesults.com.hk (alternatively: English https://www.eipo.com.hk/en/Allotment ; Chinese https://www.eipo.com.hk/zh-hk/Allotment), as described in the section headed "How to Apply for Public Offer Shares – 10. Publication of Results" in this prospectus from	
	Thursday, 10 January 2019
Despatch/collection of share certificates or deposit of share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before ⁽⁵⁾⁽⁷⁾	
	Thursday, 10 January 2019

EXPECTED TIMETABLE⁽¹⁾

Despatch of refund cheques in respect of wholly or partially successful applications in the event that the final Offer Price is less than the maximum Offer Price payable on application (where applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before^{(6) to (9)} Thursday, 10 January 2019

Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on. Friday, 11 January 2019

The application for the Offer Shares will commence on Friday, 28 December 2018 through Monday, 4 January 2019, being longer than normal market practice of 3.5 days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Thursday, 10 January 2019. Investors should be aware that the dealings in our Shares on the Stock Exchange are expected to commence on Friday, 11 January 2019.

Notes:

1. All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 4 January 2019, the application lists will not open or close on that day. Further information is set out in the paragraph headed “How to Apply for Public Offer Shares – 9. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Friday, 4 January 2019, the dates mentioned in this section may be affected. An announcement will be made by us in such event.
3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Public Offer Shares – 5. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
4. The Price Determination Date is expected to be on or about Friday, 4 January 2019, or such other date as may be agreed by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company. If, for any reason, the Offer Price is not agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company by the Price Determination Date, the Share Offer will not proceed and will lapse.
5. Share certificates for the Public Offer Shares will become valid certificates of title at 8:00 a.m. on Friday, 11 January 2019 (Hong Kong time), provided that (i) the Share Offer has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Share Offer will not proceed and will lapse. In such a case, our Company will make an announcement as soon as possible thereafter.
6. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.

EXPECTED TIMETABLE⁽¹⁾

7. *Applicants who have applied on **WHITE** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer and have provided all information required by their Application Form may collect their refund cheque(s) (where applicable) and/or Share certificate(s) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 January 2019. Applicants being individuals who are applying for 1,000,000 Public Offer Shares or more and are eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Public Offer Shares or more and are eligible for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chop. Identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, must be produced at the time of collection.*
8. *Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer may collect their refund cheque(s), where applicable, in person but may not elect to collect their Share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheque(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note (8) above.*
9. *Uncollected share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further details are set out in "How to Apply for Public Offer Shares – 13. Despatch/Collection of Share Certificates and Refund Cheques" in this prospectus.*

For details of the structure of the Share Offer, including conditions thereof, please refer to the sections headed "Underwriting", "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell, or a solicitation of an offer to buy any securities in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not contained nor made in this prospectus or the Application Forms must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, employees, agents or professional advisers or any other person or party involved in the Share Offer. The contents on the website at www.bestmart360.com which is the official website of our Company, do not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus, which does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide whether to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leisure food retailer operating chain retail stores under our brand “Best Mart 360° (優品360°)” since the inception of our business in 2013. It is our business objective to offer “Best Quality” and “Best Prices” products to our customers through our continuous efforts on global procurement with a mission to provide comfortable shopping environment and pleasurable shopping experience to our customers.

We offer wide collection of imported prepackaged leisure foods and other grocery products, principally from overseas, which can be broadly categorised into (i) confectioneries; (ii) packaged bakery products and snacks; (iii) nuts and dried fruits; (iv) grains and other miscellaneous food products; (v) beverages and wine; (vi) personal care products; and (vii) other products, such as baby food and products, health food and supplements and miscellaneous household items, such as cleaning agents, table ware and rain gear. Due to the nature of the retail business of our Group, walk-in customers from the general public are our major customers. According to the Frost & Sullivan Report, our Group had the highest retail revenue per store with approximately HK\$15.4 million per store for the year ended 31 March 2018 amongst the top seven leisure food retailers which operated over 20 retail stores in Hong Kong. Besides, we were ranked as the second largest leisure food retailers amongst such top seven leisure food retailers in Hong Kong in terms of our revenue of approximately HK\$1,075.9 million for the year ended 31 March 2018, translating to a market share of approximately 21.6% in the leisure food retail market in Hong Kong as at 31 March 2018. The Hong Kong Tourism Board certified our compliance with the assessment criteria of the Quality Tourism Services Scheme and has authorised our certification mark “Best Mart 360° (優品360°)” to use upon “Retail Shops” category and we have been accredited as a “Quality Shop” by the Hong Kong Tourism Board since July 2015. While we procure majority of our products by way of parallel import from overseas markets, we have adopted stringent appraising procedures in selecting approved suppliers and products procured. Since 2014, we are a member of the “No Fakes Pledge” Scheme launched by The Intellectual Property Department of Hong Kong Government. As at the Latest Practicable Date, all of our retail stores obtained the “No Fakes Pledge” certification which we believe would significantly enhance consumer trust and confidence on us.

As at the Latest Practicable Date, we sourced our products of around 495 brands and 1,960 SKUs from different overseas suppliers mainly from Europe, the United States, Japan, Korea and South East Asia and importers in Hong Kong, comprising brand owners, manufacturers, distributors, and trading companies. During the Track Record Period, we had strengthened our overseas procurement channels and capabilities in procuring a wide spectrum of products across the world in a cost effective manner by building up business relationship with suppliers from more than 16 countries. Being one of the leading leisure food retailers in importing leisure food from overseas markets into Hong Kong, we aim to procure more distinctive overseas products for our customers which are not generally available in the Hong Kong leisure food retail market. We had also gradually increased direct procurement from upstream suppliers which our Directors believe that was beneficial to further control the procurement costs of our Group. In order to keep abreast of information on new brands and/or new products available in the international groceries markets, we on one hand generally maintain stable business collaborative relationship with our existing suppliers for regularly reviewing new brands and new products available in the international markets and on the other hand consistently attend major international trade shows, exhibitions and

SUMMARY

business missions for identifying new suppliers, new brands and/or new products globally. Our Directors believe that the diversified procurement channels and the flexibility in sourcing from enormous group of suppliers enable our Group to maintain a quality, trendy and broad appeal product mix in our retail stores at competitive prices which in turn increase our leverage in the market. Most of our products were either parallel imported by our Group directly from overseas suppliers from overseas markets or purchased from the importers in Hong Kong which is/are not brand owners/manufacturers or Hong Kong licensed distributors. Please refer to the section headed “Business – Procurement by way of parallel importation” for further details.

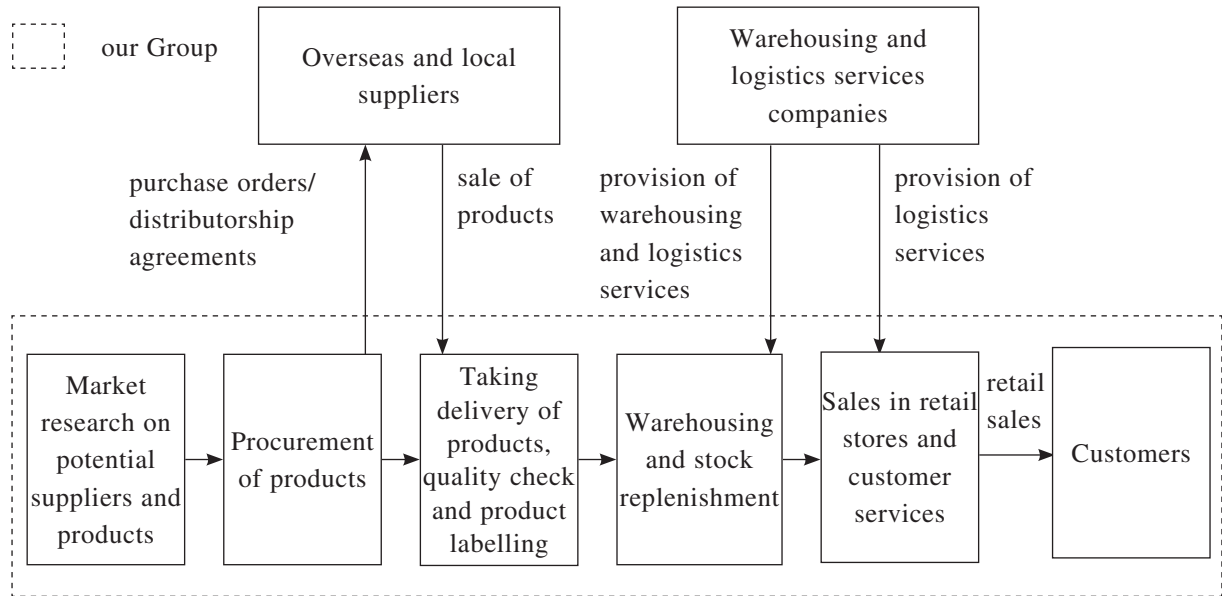
During the Track Record Period, we recorded significant growth in terms of revenue and number of retail stores. We increased the number of retail stores from 24 as at 1 April 2015 to 73 as at 31 July 2018. Our revenue increased from approximately HK\$472.8 million for the year ended 31 March 2016 to approximately HK\$1,075.9 million for the year ended 31 March 2018, representing a CAGR of approximately 50.8%, and our net profit increased from approximately HK\$12.5 million for the year ended 31 March 2016 to approximately HK\$53.6 million for the year ended 31 March 2018, representing a CAGR of approximately 107.5%. Our revenue increased from approximately HK\$256.5 million for the four months ended 31 July 2017 to approximately HK\$338.5 million for the four months ended 31 July 2018, representing an increase of approximately 32.0%. Although our net profit decreased from approximately HK\$5.9 million for the four months ended 31 July 2017 to approximately HK\$5.7 million for the four months ended 31 July 2018, our net profit excluding Listing expenses increased from approximately HK\$6.4 million for the four months ended 31 July 2017 to approximately HK\$11.8 million for the four months ended 31 July 2018, representing an increase of approximately 85.2%. For detailed analysis of our financial performance during the Track Record Period, please refer to the section headed “Financial Information – Description and analysis of principal items in the combined statements of profit or loss and other comprehensive income” in this prospectus.

BUSINESS MODEL

We operate chain retail store under our brand “Best Mart 360° (優品360°)” in Hong Kong, offering wide collection of imported prepackaged leisure food and other grocery products. To achieve our business objective of offering “Best Quality” and “Best Prices” products to our customers, we continuously explore and identify new products and new suppliers through our market research, and have adopted stringent selection and review processes in respect of products and suppliers. We sourced our products from different overseas suppliers mainly from Europe, the United States, Japan, Korea and South East Asia and importers in Hong Kong, comprising brand owners, manufacturers, distributors, and trading companies. As at the Latest Practicable Date, our products were sold on retail basis at our extensive retail networks in Hong Kong, with 85 retail stores located in 18 districts in Hong Kong.

SUMMARY

The following simplified diagram sets out our business model:



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Our products

We offer a comprehensive range of products covering collection of confectioneries, packaged bakery products and snacks, nuts and dried fruits, grains and miscellaneous food products, beverages and wine, personal care products and other products such as baby food and products, health food and supplements and miscellaneous household items. As at the Latest Practicable Date, our product portfolio included around 454 SKUs of confectioneries, 138 SKUs of nuts and dried fruits, 648 SKUs of packaged bakery products and snacks, 198 SKUs of grains and miscellaneous food products, 284 SKUs of beverages and wine, 73 SKUs of personal care products and 165 SKUs of other products. Please refer to the section headed “Business – Our products” in this prospectus for further information about our products.

Our retail stores

As at the Latest Practicable Date, we have established an extensive retail network in Hong Kong with 85 retail stores consisting of 15 retail stores located in Hong Kong Island, 33 retail stores located in Kowloon and 37 retail stores located in New Territories. Amongst such 85 retail stores, 31 retail stores were situated at street-level, 48 retail stores were situated at the shopping arcades of community or residential districts and 6 retail stores were situated at various traffic hubs that are easily accessible by tourists, including train station, ferry terminal, mass transit railway station, airport and border shopping district. Please refer to the paragraph headed “Business – Our retail stores” in this prospectus for further information about our retail stores.

Our customers

As we sell our products on retail basis, walk-in customers from the general public are our major customers. For each of the three years ended 31 March 2018 and the four months ended 31 July 2018, sales to walk-in customers accounted for approximately 99.1%, 99.5%, 99.5% and 99.8% of our total revenue respectively. Pursuant to enquiries by some of our customers, comprising mostly corporate customers and trading companies in the industry, we also sell our products to these customers on bulk-sales basis with certain bulk-purchase discount offered to them on a case-by-case basis. Such type of bulk-sales amounted to approximately HK\$4.3 million, HK\$3.5 million, HK\$5.2 million, in each of the three years ended 31 March 2018 and HK\$0.8 million for the four months ended 31 July 2018 and represented approximately 0.9%, 0.5%, 0.5% and 0.2% of the total revenue of our Group for the respective years and period. The total amount of the five largest customers of such bulk-sales in each of the three years ended 31 March 2018 and the four months ended 31 July 2018 amounted to approximately HK\$1.9 million, HK\$2.9 million, HK\$4.6 million and HK\$0.6 million, which represented approximately 0.4%, 0.4%, 0.4% and 0.2% of the total revenue of our Group for the respective years and period. Amongst these bulk-sales customers, a Shareholder and executive Director, his associates and an associate of our chief executive had made certain bulk-purchases in relatively insignificant amount of approximately HK\$0.1 million, HK\$0.1 million, HK\$24,000 and nil, in aggregate, during each of the three years ended 31 March 2018 and the four months ended 31 July 2018, which represented less than 0.1% of the total revenue of our Group in each of the respective years or period. One of them was also one of our Group’s five largest customers for the year ended 31 March 2017. To the best of the knowledge and belief of our Directors after making all reasonable enquiries, save as aforesaid, all of our Group’s five largest customers during the Track Record Period are Independent Third Parties. Please refer to the section headed “Business – Our customers” in this prospectus for further details.

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Our pricing policy

One of our business objectives is to offer “Best Prices” to our customers. In determining the retail price of each products, our purchasing team takes into account of various factors such as our procurement costs, our target operating profit margins over each products, general market trends, the popularity, availability and comparability of identical or similar products in the market, the place of origin of the product, purchasing power of our target customers and prices set by our competitors. We conduct regular market price check of identical and similar products offered by our competitors in Hong Kong so as to ensure our pricing remains profitable and competitive among our competitors, and determine and adjust the prices of our products from time to time in accordance with the prevailing market trends, procurement prices, seasonality and the price strategy as determined by our management. Except for one retail store located at a traffic hub which we have generally set higher selling prices as compared with our other retail stores, we have adopted the same pricing policy and promotion strategies across all of our Group’s retail stores.

Our principal suppliers and other services providers

During the Track Record Period, our suppliers principally comprised of overseas brand owners, manufacturers, distributors, and trading companies of, and Hong Kong importers for, our prepackaged leisure food and other grocery products. For each of the year ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018, total purchases from our Group’s five largest suppliers in aggregate accounted for approximately 38.0%, 37.4%, 35.8% and 29.2% respectively of our Group’s total purchase, and our largest supplier accounted for approximately 10.4%, 11.2%, 8.9% and 8.5% respectively of our Group’s total purchases. To the best of the knowledge and belief of our Directors after making all reasonable enquiries, all of our Group’s five largest suppliers during the Track Record Period are trading companies and Independent Third Parties. Please refer to the section headed “Business – Our suppliers” in this prospectus for more details.

We generally do not enter into any distributorship agreement or purchase agreement with most of our suppliers for the purchase of third party brand products which we sell to our customers, but place orders with our suppliers by way of a purchase order on an as-needed basis. Most of our products, which amounted to approximately 85.2%, 84.7%, 76.2% and 64.0% of our total purchases of each of the three years ended 31 March 2018 and the four months ended 31 July 2018, were either parallel-imported by our Group directly from overseas suppliers, from overseas markets or purchased from the importers in Hong Kong by us. Please refer to the section headed “Business – Procurement by way of parallel importation” in this prospectus for our precautionary measures adopted to minimize any disputes arising from allegation of potential claims on infringement of intellectual property rights or trade description issues. We had also entered into certain exclusive or non-exclusive distributorship agreements with certain brand owners or distributors of our products during the Track Record Period, details of which are set out in the section headed “Business – Our suppliers” in this prospectus.

Apart from suppliers of prepackaged leisure food and other grocery products, we also engage third parties logistics services companies, all of which are Independent Third Parties, to provide the warehousing facilities in four warehouses premises located in Kowloon Bay, the related warehousing and logistics services, and other transportation and logistics services to our Group. Please refer to the section headed “Business – Inventory management, warehousing and logistics – Warehousing and logistics” in this prospectus for further information.

SUMMARY

OUR COMPETITIVE STRENGTHS

We believe that our success is attributable to, among other things, the following competitive strengths:

- our brand “Best Mart 360°” has well-recognised brand positioning and strong brand recognition in the leisure food retail market of Hong Kong
- our quality, trendy and broad appeal product mix procured from international leisure food market
- our pricing policy and effective cost control measures which together optimise and escalate the level of our profitability and contribute to our growth in financial performance
- our capability in maintaining stable collaborative relationships with existing suppliers and proactively and constantly identifying new suppliers
- our strategic planning in expanding the structure of target customers
- our strategically located retail stores and stringent management of sales performance of our retail stores

OUR BUSINESS STRATEGIES

We aim to maintain our leadership position in the leisure food retail market in Hong Kong and plan to further increase our influence and market share over the leisure food retail market in Hong Kong by implementing the following business strategies:

- expanding our business by opening additional retail stores
- expanding our business by improving our procurement capabilities and continuously enlarging our collection of products with competitive price
- further enhancing the overall brand awareness by marketing strategies and campaigns
- expanding our member base
- increasing our warehousing and logistics capacities
- further upgrading our information technology systems to constantly improve our operation efficiency
- continuing to develop and build corporate culture and attract, retain and motivate skilled and talented employees

SUMMARY

SHAREHOLDERS INFORMATION

Immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), our Company will be beneficially owned as to 75% by Long Ease. Long Ease is an investment holding company incorporated in the BVI and is owned as to 50% by Mr. Lin and as to 50% by Ms. Hui, our executive Directors, for which Mr. Lin has casting vote upon equality of votes in its shareholders' meetings and directors' meetings. Each of Long Ease, Mr. Lin and Ms. Hui will be regarded as a Controlling Shareholder under the Listing Rules.

Mr. Lin is the chairman and chief executive officer of other retail stores in Hong Kong principally engaged in the sales of footwear and lifestyle products such as stationery, digital accessories, daily and household necessities, party supplies, toys, beauty products, etc. Given the overall nature of the retail products of Mr. Lin's other business are substantially different from the principal products of the Company i.e. prepackaged leisure food, our Directors are of the view that the competition between such retail business of Mr. Lin and our Group is relatively minimal and remote. Save as disclosed above, apart from our Group, as at the Latest Practicable Date, none of our Controlling Shareholders and their respective associates were conducting any businesses or holding controlling interest directly or indirectly in companies which are engaged in businesses in competition or is likely to be in competition with the businesses of our Group directly or indirectly, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

Save as disclosed in the section headed "Connected Transactions" in this prospectus, immediately after the Listing, there are no continuing connected transactions and related party transactions between our Group and our Controlling Shareholders and/or their respective associates.

OUR EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT

Our management team comprises of our two executive Directors and other senior management who is responsible for different material aspects of our operation and management. Please refer to section headed "Directors, Senior Management and Employees" in this prospectus for details of the members of our management team.

Our chief executive officer, Mr. Hui, has a criminal record related to sales of goods bearing forged trade mark and trade mark so nearly resembling a trade mark as to be calculated to deceive and was sentenced to eight month's imprisonment. Please refer to "Directors, Senior Management and Employees – Senior management – Mr. Hui Chi Kwan" for further particulars of Mr. Hui's criminal record.

KEY FINANCIAL INFORMATION

The following is a summary of our key financial information during the Track Record Period. We have derived the summary from our audited combined financial information as set out in the Accountants' Report included as Appendix I to this prospectus. The following summary to be read together with the audited combined financial information in the Accountants' Report, including the accompanying notes, and the information as set forth in the section headed "Financial Information" in this prospectus.

SUMMARY

Selected data from our combined statements of profit or loss and other comprehensive income

	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	472,831	689,994	1,075,930	256,496	338,459
Gross profit	138,387	216,253	342,289	85,129	113,251
Operating profit	16,822	33,072	68,796	8,150	9,093
Listing expenses	–	–	4,636	488	6,170
Profit before income tax	15,231	30,431	65,552	7,204	8,200
Profit and total comprehensive income for the year/period	12,450	25,144	53,599	5,900	5,662
<i>Non-HKFRSs information</i>					
Profit and total comprehensive income for the year/period	12,450	25,144	53,599	5,900	5,662
Adjustment for:					
Listing expenses	–	–	4,636	488	6,170
Profit and total comprehensive income for the year/period (excluding Listing expenses) (<i>Note</i>)	12,450	25,144	58,235	6,388	11,832

Note:

As Listing expenses are of non-recurring nature and not related to the performance from our operation, the presentation of our Group's profit and total comprehensive income after the exclusion of Listing expenses can better demonstrate our operational performance during the relevant year/period.

SUMMARY

Selected data from our combined statements of financial position

	As at 31 March			As at 31 July 2018
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets	88,240	142,754	175,514	196,162
Current liabilities	85,637	124,458	104,655	95,724
Net current assets	2,603	18,296	70,859	100,438
Non-current assets	25,415	36,208	40,384	42,907
Non-current liabilities	13,577	14,919	18,059	44,499
Net assets	14,441	39,585	93,184	98,846

Selected data from our combined statements of cash flows

	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(679)	281	65,032	(24,944)	(15,545)
Net cash used in investing activities	(7,822)	(16,921)	(18,362)	(9,559)	(6,031)
Net cash generated from/(used in) financing activities	6,481	28,543	(30,737)	37,479	17,317
Net (decrease)/increase in cash and cash equivalents	(2,020)	11,903	15,933	2,976	(4,259)
Cash and cash equivalents at beginning of year/period	1,952	(68)	11,835	11,835	27,768
Cash and cash equivalents at end of year/period	(68)	11,835	27,768	14,811	23,509

Key financial ratios

	Year ended/as at 31 March			Four months ended/as at 31 July 2018
	2016	2017	2018	2018
Net profit margin before interest and tax	3.6%	4.8%	6.4%	2.7%
Net profit margin	2.6%	3.6%	5.0%	1.7%
Net profit margin (excluding Listing expenses)	2.6%	3.6%	5.4%	3.5%
Interest coverage	10.6	12.5	21.2	10.2
Current ratio	1.0	1.1	1.7	2.0
Quick ratio	0.3	0.4	0.7	0.8
Return on equity	86.2%	63.5%	57.5%	N/A
Return on total assets	11.0%	14.0%	24.8%	N/A
Gearing ratio	504.4%	258.7%	72.5%	90.2%
Debt to equity ratio	443.2%	197.5%	31.9%	52.7%

SUMMARY

During the Track Record Period, our major cost component, being our cost of sales, represents the cost of inventories sold which was the cost of products charged by our suppliers as determined with reference to a number of factors including the prevailing market conditions, the volume of orders and the type of products. The other two major cost components are rental expenses relating to our retail stores, offices and service and rental expenses for using the operating facilities of warehouse, and staff costs. These three largest operating cost components amounted to approximately HK\$431.9 million, HK\$622.4 million, HK\$947.0 million and HK\$302.9 million for the years ended 31 March 2016, 2017, 2018 and four months ended 31 July 2018, representing approximately 91.3%, 90.2%, 88.0% and 89.5% of our revenue of approximately HK\$472.8 million, HK\$690.0 million, HK\$1,075.9 million and HK\$338.5 million for the same year/period, respectively.

During the Track Record Period, our revenue mainly represents the sale of goods through our retail stores. Our revenue increased by approximately 45.9% from approximately HK\$472.8 million for the year ended 31 March 2016 to approximately HK\$690.0 million for the year ended 31 March 2017, and further increased by approximately 55.9% to approximately HK\$1,075.9 million for the year ended 31 March 2018 and by approximately 32.0% from approximately HK\$256.5 million for the four months ended 31 July 2017 to approximately HK\$338.5 million for the four months ended 31 July 2018. Such increase in revenue was mainly due to (i) the increase in sales of goods as we continued to expand our retail network by opening additional stores; and (ii) the increase in same-store sales as a result of our continual effort to promote our retail stores.

Our gearing ratio decreased from approximately 504.4% as at 31 March 2016 to approximately 258.7% as at 31 March 2017, and further decreased to approximately 72.5% as at 31 March 2018. Such decrease was mainly due to the repayment of bank overdrafts and borrowings and amounts due to shareholders and the increase of our net profit as a result of the expansion of our retail network and corresponding increase of revenue and cash received from sales of products at retail stores. Our gearing ratio increased from approximately 72.5% as at 31 March 2018 to approximately 90.2% as at 31 July 2018 mainly due to the increase in bank borrowings for repayment of Listing expenses and purchase of inventories. Our debt to equity ratio also decreased from approximately 443.2% as at 31 March 2016 to approximately 197.5% as at 31 March 2017, and further decreased to approximately 31.9% as at 31 March 2018, our debt to equity ratio increased from approximately 31.9% as at 31 March 2018 to approximately 52.7% as at 31 July 2018 which was generally in line with the movement of our gearing ratio during the Track Record Period.

We recorded net cash outflow from operating activities of approximately HK\$0.7 million, HK\$24.9 million and HK\$15.5 million for the year ended 31 March 2016 and for the four months ended 31 July 2017 and 2018, respectively. The generation of net cash outflow from operating activities was a result of the opening of new retail stores during the Track Record Period which incurred additional working capital requirement for the purchase and replenishment of additional inventories, and payment of rental deposits in the course of opening additional retail stores as it took time for achieving breakeven or investment payback in opening new retail stores which did not result in immediate increase in net operational cash inflow. To maintain a healthy operating cashflow in the future, we will closely monitor the timing and pace for opening additional retail stores so as to strike a balance between the expected initial operating cash outflow of new retail stores before their breakeven and the additional operating cash inflow to be generated from the new retail stores. Should the need arises, we will utilize our unutilised banking facilities to satisfy our cash outflow requirement in relation to our purchase of inventories and daily operation expenses, such as rental and salary expenses. As part of our net proceeds will be used for the opening of new retail stores, our Directors believe the net proceeds from the Share Offer can decrease our cash outflow from operating activities.

SUMMARY

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business operation remained stable after the Track Record Period and up to the Latest Practicable Date. There was no change to our general business model and the economic environment remained generally stable up to the Latest Practicable Date. Based on the unaudited financial information of our Group, our revenue for the seven months ended 31 October 2018 was higher than that for the corresponding period in 2017, which was mainly attributable to the increase in the number of our retail stores. Our gross profit margin for the seven months ended 31 October 2018 was comparable to that of the corresponding period in 2017, as such, our Directors consider that, save for the expenses in connection with the Listing, which are non-recurring in nature, there is no material adverse change in the financial or trading position or prospects of our Group since 31 July 2018 and up to the Latest Practicable Date.

As at the Latest Practicable Date, we planned to expand our retail network by opening 76 additional retail stores among which 72 additional retail stores are planned to be opened by applying the net proceeds from the Share Offer, and 4 additional retail stores are planned to be open using our own resources after the Latest Practicable Date before Listing including 2 additional retail stores in Tuen Mun District, 1 additional retail store in Tsuen Wan District and 1 additional retail store in Wong Tai Sin District. For the 72 additional retail stores to be opened by applying the net proceeds from the Share Offer, we plan to open 2, 28, 28 and 14 additional retail stores in each of the year ending 31 March 2019, 2020, 2021 and 2022, respectively. To support the increasing size of our retail network, we entered into a new services agreement and ancillary deed of licence in November 2018 for the use of an additional warehouse premises in Kowloon Bay with a total saleable area of 1,939.0 sq. m..

WORKING CAPITAL

After taking into consideration of the financial resources presently available to us, including our cash and bank balances, the available banking facilities to our Group, the operating cash flow and the estimated net proceeds from the Share Offer, our Directors are of the view that we have sufficient working capital to meet our present requirements and for at least 12 months from the date of this prospectus.

DIVIDENDS

Our Group did not declare or pay any dividend during the Track Record Period but had declared dividends in an aggregate of HK\$20 million to our then shareholders after 31 July 2018 and up to the Latest Practicable Date. Such dividends will be paid in full before the Listing Date. Our Company has no fixed dividend policy specifying a dividend payout ratio. The amount of any dividends to be declared in the future will depend on, among others, our Group's results of operations, available cashflows and financial condition, operating and capital requirements, the Articles of Association, the Companies Laws, applicable laws and regulations and any other factors that our Directors deem relevant.

SUMMARY

OFFERING STATISTICS

	Based on the Offer Price of HK\$1.0 per Offer Share	Based on the Offer Price of HK\$1.2 per Offer Share
Market capitalisation (<i>Note 1</i>)	HK\$1,000 million	HK\$1,200 million
Unaudited pro forma adjusted net tangible assets per Share (<i>Note 2</i>)	HK\$0.32	HK\$0.37

Notes:

- (1) The calculation of market capitalisation is based on 1,000,000,000 Shares expected to be in issue immediately following the completion of the Share Offer and the Capitalisation Issue. It does not take into account any Shares which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted net tangible assets per Share are calculated after making the adjustments as referred to in the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus, and on the basis of 1,000,000,000 Shares expected to be in issue immediately following the completion of the Share Offer and the Capitalisation Issue. It does not take into account any Shares which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer and assuming an Offer Price of HK\$1.1 per Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$232.7 million. Our Directors intend to apply such net proceeds for the following purposes. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further information.

- approximately 66.5%, or approximately HK\$154.8 million, will be used for the opening of additional retail stores including approximately HK\$4.3 million, HK\$60.2 million, HK\$60.2 million and HK\$30.1 million for opening around 2, 28, 28 and 14 additional retail stores for each of the year ending 31 March 2019, 2020, 2021 and 2022 respectively, of which an aggregate of approximately HK\$28.8 million for renovation and acquisition of equipment; an aggregate of approximately HK\$21.6 million for payment of rental deposit; and an aggregate of approximately HK\$104.4 million for purchase of inventory;
- approximately 13.5%, or approximately HK\$31.3 million, will be used for intensifying and broadening marketing efforts, including placing advertisement on television and other traditional and new media, participating in promotional and/or sponsorship events, enhancing our online promotion channels and conducting joint promotion campaigns or activities with our business partners, such as card issuing institutions, banks and market players in entertainment industry;
- approximately 10.1%, or approximately HK\$23.5 million, will be used to upgrade information technology systems, in particular, to acquire a new ERP system with integrated platform that will further optimise our operation efficiency from the perspectives of capital and resources monitor and control, procurement planning and inventory control, supply chain planning and execution, sales channel support, business support, enterprise accounting and administration and customers management of which approximately HK\$17.8 million will be incurred in the year ending 31 March 2019; and approximately HK\$5.7 million will be incurred in the year ending 31 March 2020, respectively; and

SUMMARY

- approximately 9.9%, or approximately HK\$23.1 million, will be used for general working capital purposes.

LISTING EXPENSES

The total Listing expenses in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$42.3 million (based on the mid-point of the indicative Offer Price range of HK\$1.1 per Offer Share). Among the estimated total Listing fees, (i) approximately HK\$13.4 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$28.9 million will be recorded as expenses in the combined statement of profit or loss and other comprehensive income, of which approximately HK\$4.6 million and HK\$6.2 million had been recognised for the year ended 31 March 2018 and the four months ended 31 July 2018, respectively, and the remaining amount of approximately HK\$18.1 million is expected to be recognised after 31 July 2018 until completion of the Share Offer. Our Directors would like to emphasise that the Listing expenses above are current estimates and are for reference only. The actual amount to be recognised in the combined financial statements for our Company for the year ending 31 March 2019 is subject to adjustment based on audit and the then changes in variables and assumptions and may differ from this estimate.

SUMMARY OF RISK FACTORS

There are certain risks involved in our operations which may be beyond our control. These risks are further described in the section headed “Risk Factors” in this prospectus. You should read that entire section carefully before deciding whether to invest in the Offer Shares. The following are some of the principal risk factors that we face:

- our financial results depend on the performance of our existing stores and new stores which can be affected by a lot of factors, some of which may be beyond our control
- we are exposed to potential liabilities or claims arising from intellectual property rights infringement and false trade description in connection with our parallel-imported products
- our success depends partly on our ability to secure and renew the tenancy or licence agreements for our retail stores in desirable locations
- our ability to respond effectively to changes in customer preferences and needs may affect our market share and result of operations
- our success depends on the strong recognition of our brand “Best Mart 360°” in the leisure food retail market of Hong Kong
- we are exposed to fluctuations in foreign currency exchange rates
- we faces the risk of obsolescence of our inventory
- our reliance on the Hong Kong retail sales market
- our business and operations are susceptible to product liability claims or product recalls

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below. Technical terms in relation to our Group's industry and business operations are defined in "Glossary of technical terms" of this prospectus.

"Accountants' Report"	the accountants' report included in Appendix I to this prospectus
"Application Form(s)"	the WHITE Application Form(s) and YELLOW Application Form(s) or where the context so requires, any of them, relating to the Public Offer
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company, conditionally adopted on 18 December 2018 with effect from the Listing Date, and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Best Mart BVI"	Best Mart 360 International Limited (優品360國際有限公司), a company incorporated in the BVI on 23 February 2018 with limited liability and a direct wholly-owned subsidiary of our Company
"Board" or "Board of Directors"	our board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the allotment and issue of 748,000,000 new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as described in the section headed "Statutory and General Information" in Appendix IV to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant(s)”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China and, except where the context otherwise requires and for the purpose of this prospectus only, does not include Hong Kong, Macau and Taiwan
“Ciao International”	CIAO International Limited (彩鷗國際有限公司), a company incorporated in Hong Kong with limited liability on 14 December 2012 and an indirect wholly-owned subsidiary of our Company
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Best Mart 360 Holdings Limited (優品360控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 24 January 2018
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and refers to the controlling shareholders of our Company as at the Latest Practicable Date, being Mr. Lin, Ms. Hui and Long Ease, or any of them
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated 27 December 2018 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of the subsidiaries of our Group) regarding certain indemnities, details of which are set out in the section headed “Statutory and General Information – Other information – 2. Estate duty, tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 27 December 2018 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of the subsidiaries of our Group) regarding certain non-competition undertakings, details of which are set out in the paragraph headed “Relationship with our Controlling Shareholders – Deed of Non-competition” of this prospectus
“Director(s)”	the director(s) of our Company
“EUR”	the lawful currency of the member states of the European Union
“FEHD”	Food and Environmental Hygiene Department
“Frost & Sullivan”	Frost & Sullivan Limited, an independent industry consultant engaged by our Company
“Frost & Sullivan Report”	the industry research report on, among others, the leisure food retail and grocery retail market in Hong Kong prepared by Frost & Sullivan under our commission
“Grant Sherman”	Grant Sherman Appraisal Limited, an independent valuer and surveyor engaged by our Company
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Government”	the government of Hong Kong
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as our Directors are aware after having made reasonable enquiries, is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or Substantial Shareholder of our Company, our subsidiaries or any of their respective associates
“Internal Control Consultant”	BDO Financial Services Limited, an independent internal control consultant engaged by our Company
“IRO”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Joint Lead Managers”	Great Roc Capital Securities Limited and Lego Securities Limited
“Latest Practicable Date”	19 December 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus prior to its printing
“Legal Counsels”	Ms. Winnie Tam S.C. and Mr. Ling Chun Wai, barristers-at-law of Hong Kong, who are Independent Third Parties
“Listing”	the listing of our Shares on the Main Board
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, currently expected to be 11 January 2019, on which dealing in our Shares on the Main Board first commence
“Listing Rules”	the Rules Governing the Listing of Securities on Main Board, as amended, supplemented or otherwise modified from time to time
“Long Ease”	Long Ease Holdings Limited (朗逸控股有限公司), a company incorporated in the BVI on 31 May 2017 with limited liability and a Controlling Shareholder
“Macau”	the Macao Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company, conditionally adopted on 18 December 2018 with effect from the Listing Date, and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“Mr. Hui”	Mr. Hui Chi Kwan (許志群), our Group’s chief executive officer and the brother of Ms. Hui
“Mr. Lin”	Mr. Lin Tsz Fung (林子峰), an executive Director and chairman of our Company, a Controlling Shareholder
“Ms. Hui”	Ms. Hui Ngai Fan (許毅芬), an executive Director of our Company, a Controlling Shareholder and the sister of Mr. Hui
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be offered for subscription pursuant to the Share Offer
“Offer Share(s)”	the Public Offer Share(s) and the Placing Share(s)
“Placing”	the conditional placing of the Placing Shares at the Offer Price to selected professional, institutional and other investors as set forth in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Shares”	the 225,000,000 Shares being offered by our Company for subscription under the Placing, subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Underwriter(s)”	the underwriter(s) of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares

DEFINITIONS

“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing expected to be entered into on or about the Price Determination Date by, among others, our Company, our Sole Sponsor and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” of this prospectus
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies (Winding Up and Miscellaneous Provisions) Ordinance
“Price Determination Agreement”	the agreement to be entered into between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record the agreement on the final Offer Price
“Price Determination Date”	the date, expected to be on or around Friday, 4 January 2019 or such later date as may be agreed by us and the Sole Bookrunner (for itself and on behalf of the Underwriters) but no later than Wednesday, 9 January 2019, on which the final Offer Price is to be fixed for the purpose of the Share Offer
“Public Offer”	the offer for subscription of the Public Offer Shares to the public in Hong Kong at the Offer Price (plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 25,000,000 Shares being initially offered by our Company for subscription pursuant to the Public Offer, subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer whose names are set forth in the paragraph headed “Underwriting – Public Offer Underwriters” of this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 27 December 2018 relating to the Public Offer entered into by, among others, our Company, our Sole Sponsor and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting – Underwriting Arrangements and Expenses – Public Offer” of this prospectus

DEFINITIONS

“Quality Food 360°”	Quality Food 360° (Holdings) Limited (優品360°食品(集團)有限公司), a company incorporated in the BVI on 25 April 2013 with limited liability and an indirect wholly-owned subsidiary of our Company
“Regulation S”	Regulation S under the U.S. Securities Act
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing which are more particularly described in the section headed “History, Reorganisation and Corporate Structure” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, particulars of which are set forth in Appendix IV to this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of HK\$0.01 each
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme of our Company conditionally adopted on 18 December 2018, the principal terms of which are summarised in the paragraph headed “Statutory and General Information – Other Information – 1. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	the holder(s) of the Share(s)
“Sole Bookrunner”	Lego Securities Limited, a licenced corporation permitted to carry out type 1 (dealing in securities) regulated activity under the SFO, the sole bookrunner of the Share Offer
“Sole Sponsor”	Lego Corporate Finance Limited, a licenced corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO, the sole sponsor of the Share Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the three financial years ended 31 March 2018 and the four months ended 31 July 2018
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended from time to time and the rules and regulations promulgated thereunder
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or the applicants’ own name(s)
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancy in any table between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Words importing the singular include, where applicable, the plural and vice versa. Words importing the masculine gender include, where applicable, the feminine and neuter genders.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“breakeven”	in respect of each retail store, refers to the point at which the monthly revenue of the retail store is at least equal to its costs, which mainly include renovation and equipment costs, depreciation, rental expenses, cost of inventories sold, employee expenses and utility expenses attributable to that retail store for that month; and in respect of our Group, refers to the point at which the total revenue of our Group for the financial year/period is at least equal to all its costs for such financial year/period
“breakeven period”	in respect of each retail store, refers to the period from the date on which such retail store starts to generate revenue to the date on which such retail store achieves a breakeven
“CAGR”	compound annual growth rate, calculated by subtracting one from the result of dividing the ending value by its beginning value raised to the power of one divided by the period length
“CBM”	cubic metres
“ERP”	enterprise resource planning systems that integrate internal and external management information across an entire organisation, comprising business activities such as finance and accounting, inventory, sales, service and customer relationship management, and automate these activities with an integrated software application
“GDP”	gross domestic product
“investment payback”	in respect of a retail store, refers to the point at which the initial investment on such retail store (inclusive of, among others, renovation costs and rental and other deposits) is fully recouped from the accumulated net profit attributable to such retail store
“investment payback period”	in respect of each retail store, refers to the period from the date on which the initial investment on such retail store is first made to the date on which such retail store achieves an investment payback
“leisure food”	hybrid collection of foods comprising confectionery, bakery products, processed or dried fruits, vegetables and nuts, tuber, cereal and grain products, dried fish and meat products, etc.

GLOSSARY OF TECHNICAL TERMS

“POS system”	point of sale system
“SKU”	acronym for stock keeping unit, a unique identifier for each distinct product and service that can be purchased
“WMS system”	warehouse management system
“sq.ft.”	square feet
“sq.m.”	square metres

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “consider”, “continue”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “is/are likely to”, “may”, “might”, “ought to”, “plan”, “predict”, “project”, “propose”, “potential”, “prospects”, “seek”, “should”, “shall”, “will”, “would”, “with a view to” and the negative of these terminologies and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These forward-looking statements are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors as described in the section headed “Risk Factors” in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing by our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies, plans, objectives and our various measures to implement or achieve these strategies, plans and objectives;
- our ability to meet the changing needs of our customers;
- general economic, political and business conditions in the markets in which we operate;
- the effects of the global financial markets and economic crisis;
- the general economic trends and conditions;
- our ability to reduce costs;
- our dividend distribution plan and dividend policy;
- our financial condition and performance;
- our capital expenditure plans;
- changes in competitive conditions and our ability to compete under these conditions;
- the amount and nature of, and potential for, future development of our business;
- our ability to recruit and retain employees and personnel;

FORWARD-LOOKING STATEMENTS

- capital market developments;
- the actions and developments of our competitors;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, prices, operations, margins, risk management and overall market trends;
- other statements in this prospectus that are not historical facts;
- realisation of the benefits or our future plans and strategies; and
- other factors beyond our control.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, our Controlling Shareholders, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any other party involved in the Share Offer or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to, those discussed under “Risk Factors” and elsewhere in this prospectus.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking statements and information.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments. All forward-looking statements and information contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making an investment in the Offer Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected and the market price of the Offer Shares could fall significantly and you may lose all or part of your investment. The trading price of the Shares may decline due to any of the risks and uncertainties and you may lose all or part of your investment.

There are certain risks relating to an investment in our Shares. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to our industry; and (iii) risks relating to the Share Offer.

RISKS RELATING TO OUR BUSINESS

Our financial results depend on the performance of our existing stores and new stores which can be adversely affected by a lot of factors, some of which may be beyond our control

Our financial results depend on our ability to increase sales and efficiently manage costs in our existing stores and new stores. There is no guarantee that the performance of our existing stores will remain stable and that of our new stores will be in line with our expectation. In particular, the success of our stores depends principally on our ability to increase customer visits and the average spending per transaction. Significant factors that are beyond our control might adversely impact our customer visits and the average spending per transaction include, without limitation:

- increasing competition in the leisure food retail and grocery retail market;
- changes in consumer preferences;
- customer sensitivity to our product price increases;
- our reputation and consumer perception of our brand and our offerings in terms of variety, quality and price; and
- consumer experiences from shopping in our stores.

The profitability of our stores is also subject to cost increases that are either wholly or partially beyond our control, including, without limitation:

- rental expenses for our existing and new stores;
- the procurement price at which we purchase our products from our suppliers;
- staff costs;

RISK FACTORS

- information technology and other logistics costs; and
- costs associated with any material interruptions in our supply chain.

If any of these factors materialises and we are unable to adopt appropriate measures to mitigate the negative impacts of such factor, the profitability of our stores, and the overall financial position and performance can be adversely affected.

Among the 73 retail stores we had as of 31 July 2018, 17 stores had not achieved investment payback as of that date, including 13 stores which opened within twelve months prior to 31 July 2018. The failure of our existing stores or new stores to perform as expected could have a significant negative impact on our business, financial condition and results of operations.

We are exposed to potential liabilities or claims arising from intellectual property rights infringement and false trade description in connection with our parallel-imported products

Our products are sourced from brand owners, manufacturers, authorised distributors and trading companies. For each of the year ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018, approximately 85.2%, 84.7%, 76.2% and 64.0% of our total purchase were either parallel-imported by our Group directly from such overseas suppliers, from overseas markets or purchased from the importers in Hong Kong by us.

We have sought legal opinion from our Legal Counsels as to whether the buying or selling of parallel imported products by our Group would attract any potential liability under the laws of Hong Kong. We are advised that our Group is subject to various potential liabilities arising from parallel trading under the laws of Hong Kong. For further details, please refer to paragraph headed “Business – Procurement by way of parallel importation”.

While our Group, to a substantial extent, relies on our suppliers’ warranties in our standard purchase orders regarding, among others, the authenticity and legality of the products supplied and there is no infringement of trademark, copyright or other intellectual property rights of the brand owner and/or manufacturer in the sale of products supplied, there is no assurance that our suppliers will not breach the terms and conditions contained in our standard purchase order, or there will not be any dispute and/or legal proceedings against our suppliers or even our Group in respect of the sales of parallel-imported products in Hong Kong. Furthermore, there is no assurance that any future changes in the Hong Kong laws or the interpretation thereof in relation to the legality of any parallel import arrangement will not have an adverse impact on our Group’s operations and profitability.

Our success depends partly on our ability to secure and renew the tenancy or licence agreements for our retail stores in desirable locations

The success of our retail operations depends partly on our ability to secure and renew tenancy or licence agreements in desirable locations. In selecting suitable sites for our retail stores, we consider factors such as population density of the location, its convenience and accessibility to our target customers. According to the Frost & Sullivan Report, the demand for suitable sites is high and we face

RISK FACTORS

competition from other retailers for these locations. Our ability to lease premises in suitable locations on terms acceptable to us is crucial to the success of our expansion strategies. If we fail to secure or renew tenancy agreements for our retail stores in desirable locations, our business, financial condition, results of operations and future prospects could be adversely affected.

As at the Latest Practicable Date, we had entered into 89 tenancy or licence agreements for our retail stores. Of these tenancy or licence agreements, 13, 29, 20 and 27 tenancy or licence agreements will expire during the year ending 31 March 2019, 31 March 2020, 31 March 2021 and after 31 March 2021, respectively. If we are unable to renew our tenancy or licence agreements on terms commercially acceptable to us, or if our tenancy or licence agreements are terminated for any reason prior to their expiration, we will need to close or relocate the relevant retail stores. Such closure or relocations will cause disruptions to our business, including loss of revenue during the period of closure of business, and may incur extra expenses such as renovation cost and payment of rental deposits. In addition, we cannot assure you that the relocated retail stores can generate the same or more revenue and profit previously generated from the closed retail stores.

If we are unable to respond effectively to changes in customer preferences and needs, our market share and result of operations could be adversely affected

As at the Latest Practicable Date, we offered around 1,960 SKUs in our product portfolio. Our success therefore depends, to a large extent, on our ability to offer a diversified portfolio of products, identify new market trends and meet changing consumer preferences. There is no assurance that the existing products offered by us will be able to satisfy changes in consumer preferences and needs. Even if we do anticipate and respond to such changes, we cannot assure you that we will bring to market in a timely manner enhanced or new products that meet these changing consumer preferences and demand. If we fail to anticipate or respond to changes in customer preferences or fail to bring to market in a timely manner products that satisfy customers' evolving preferences, our market share and our sales and profitability could be adversely affected.

We are exposed to risks relating to the retail store rental market

During the Track Record Period, we leased or licensed all of our retail stores, office and warehouses. As a result, rental expenses constitute a significant portion of our operating expenses. Rental expenses for our retail stores and office, and service and rental expenses for using the operating facilities of warehouses of our Group amounted to approximately HK\$60.9 million, HK\$92.1 million, HK\$125.3 million and HK\$43.7 million for the years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018, respectively, representing approximately 12.9%, 13.3%, 11.7% and 12.9% of our revenue during the corresponding years and period.

According to the Frost & Sullivan Report, the rental prices for retail spaces in Hong Kong Island and Kowloon had decreased at a CAGR of approximately 0.6% and 2.0% during the period between 2013 to 2017 while the rental prices for retail spaces in the New Territories had increased at a CAGR of approximately 3.3% during the corresponding period. The fluctuation in private retail rental prices was primarily due to the decline in the Hong Kong luxury consumables market, but there is no guarantee that the overall rental costs in Hong Kong will remain in this trend. Any increase in rental costs in Hong Kong may adversely affect our business, financial conditions and results of operations.

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Our operation may be adversely affected by the disruption of logistics services provided by third parties

Our Group relies on independent logistics service companies to provide a range of transportation and logistics services, which includes unloading and collecting products from containers at shipping terminal to delivering products to our warehouse premises and retail stores.

Our operation and delivery efficiency depends on the service quality of our logistics services companies and their ability to fulfil obligations in accordance with the terms of the service contracts. Any failure to provide on-time delivery may affect the availability of products to customers and/or shorten the remaining shelf life of products before their expiry date, which may in turn have a material adverse impact on our business operation. In such event, we may not be able to seek full recourse against the logistics service companies in default under the terms of the service contract or enforce in full any judgement obtained. While our Group has not experienced any contractual dispute for material breaches with our logistics service companies during the Track Record Period, any such dispute which arise in the future may severely affect our business operation and divert our management attention and resources.

Furthermore, our service contracts with our logistics service companies are subject to expiry and may be early terminated by our supplier in accordance with the existing contractual terms. In particular, the licences for the use of our warehousing facilities in three of the warehouses located in Kowloon Bay, Kowloon, Hong Kong and the related logistics services may be early terminated by the logistics services company by giving a five months' written notice on our Group after 1 July 2018, while that for the remaining one warehouses and the related logistics services may be terminated by a two months' written notice given by either party to the other party. There is no guarantee that these service contracts and the licences for the use of the warehousing premises will not be terminated for whatever reason, or we will be able to renew such service contract on terms and fees equivalent to or better than the current terms and fees, or at all. In such event, we may not be able to find other service providers for comparable services and/or of similar costs, which could reduce the distribution capacity of our Group, resulting in material adverse impact on our business operation.

Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability

We have experienced growth in both revenue and net profit during the Track Record Period, which was principally driven by, among other factors, our continuous expansion of retail network, our ability in expanding and adjusting our product mix to respond to customer preferences and demands, and our ability to control our cost. Nevertheless, our historical results may not be indicative of our future performance, as our revenue, expenses and operating results may vary from period to period in response to a variety of factors, such as the general economic and social conditions, the intensified market competition, the changing customer preferences and demands, expansion costs, our ability to control our costs and our ability to enhance operational efficiency, which may be beyond our control. Investors should not rely on our historical results to predict the future performance of our Shares.

RISK FACTORS

We have limited operating history, and cannot guarantee that we will remain competitive in the future

We opened our first retail store in July 2013 and have limited operating history. Our relatively short operating history makes us difficult to assess our future prospects or forecast our future results, the effectiveness and efficiency of our current or future strategies in a long run, and our ability to adjust our business strategies to cater for the changing market or business environment, customer preferences and demands, regulatory and compliance requirements, the efficiency and effectiveness of our business strategies adopted from time to time, and our competitiveness among other market players in general. If we fail to maintain our competitiveness in the market in the future, we may not be able to maintain the historical growth in revenue and/or net profits in the future.

Our revenue and business development may be adversely affected by consumers' habit to shop online

As market trend evolves from time to time, consumers may prefer to shop online thus online distribution channel may become more popular. As we mainly rely on our retail stores as the distribution channel to offer products to our customers, we may not be able to attract new customers who may prefer online shopping or to retain customers who may gradually opt for online shopping. The change in consumers' habit may adversely affect our revenue and business development.

Our revenue may be adversely affected by the increase in competition from online/e-commerce leisure food retailers

Apart from our existing competitors, in view of the increasing awareness and acceptance of online distribution options, we may also compete with new types of competitors which operate under a different business model and are capable of offering products through online platform. During the Track Record Period, we mainly generated our revenue from sales in our retail stores. We may face loss of our existing customers if they opt to purchase the products through online platform by our existing or potential competitors. Our future profitability may be affected by the competition from other online/e-commerce leisure food retailers.

Our success depends on the strong recognition of our brand "Best Mart 360" in the leisure food retail market of Hong Kong and any damage to our brand name could materially and adversely affect our business and results of operations

Our success is attributable to our well-established brand positioning in providing overseas prepackaged leisure foods under our brand "Best Mart 360° (優品360°)" in the leisure food retail market of Hong Kong and our business objective to offer "Best Quality" and "Best Prices" products to our customers. According to the Frost & Sullivan Report, the leisure food retail market relies on recurring and loyal customers to remain competitive and therefore it is important to build a sound and unique brand image and reputation to attract new customers and to retain existing customers. We believe that the maintenance of our customers' perception of our brand by the effectiveness of our Group's marketing and promotional activities. Any incident that damages our customers' trust and confidence in our products may damage our brand recognition, which would in turn adversely affect the implementation of our

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expansion plan. Furthermore, any factor adversely affecting the scale and effectiveness of our Group's marketing and promotional strategies may also have an adverse effect on our brand building and maintenance that could affect our brand awareness in the public. As we continue to expand our business by opening additional retail stores, maintaining quality and consistency of our brand image may become increasingly difficult and we cannot assure you that customers' confidence in our brand will not diminish.

Failure to our POS system and WMS system could interrupt our operations and adversely affect our business operations

We rely on our existing information technology systems, such as our POS system and WMS system for exchange of information between our headquarters, individual retail stores and our warehouses in order to manage our purchases from suppliers and sales to customers, monitor and control our inventory level, logistics arrangement, membership information and product labelling system. Although we have a recovery system and back-up system in place, we cannot assure you that these systems will be adequate to support our operations in the event of any material breakdown of our primary information technology system, or that our back-up systems will not breakdown simultaneously with our primary system, in which events, our business operations will be materially affected.

If we cannot successfully manage our expansion plans, or if we fail to obtain sufficient funding for our expansion plans, our business and growth prospects may be adversely affected

We plan to expand our business by opening additional retail stores in Hong Kong. Please refer to the section headed "Business – Our business strategies" in this prospectus for details. If our expansion plans are proved to be wholly or partially unsuccessful or we cannot properly manage our additional retail stores, our cash flows and profitability may be materially and adversely affected. We may need to obtain additional financing in the event that our internal resources are insufficient to fulfil our cash needs. Incurring indebtedness would increase our finance costs and could result in imposition of operating and financing covenants that may, among other things, restrict our expansion plans and operations, and/or our ability to pay dividends. Further, as our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties that could be beyond our control, we cannot assure you that future financing will be available to us in amounts or on terms acceptable and/or favourable to us, or at all. If we cannot obtain financing on terms acceptable to us, or at all, our business, financial condition, results of operations and growth prospects may be adversely affected.

In addition, our expansion plans may place substantial demands on our management and our operational, technological, financial and other resources. To manage and support our growth, we may need to (i) improve our existing operational and administrative systems; (ii) improve our financial and management controls; (iii) enhance our ability to recruit, train and retain existing and/or additional qualified management personnel and other front-line staff, administrative, sales and marketing staff; and (iv) continue managing our relationships with our suppliers and customers. All of these endeavours will require substantial attention and time from our senior management and may incur significant additional expenditures. We cannot assure you that we will be able to manage any future growth effectively and efficiently, and our ability to capitalise on new business opportunities may be materially and adversely affected if we fail to do so, which would in turn materially adversely affect our business, financial condition, results of operations and prospects.

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We are exposed to risk of cannibalisation between our existing retail stores and additional retail stores

Our existing retail stores and additional retail stores may engage in market cannibalisation among themselves. We targeted to open 2, 28, 28 and 14 additional retail stores for each of the year ending 31 March 2019, 2020, 2021 and 2022 respectively in location where we already have existing retail stores.

The capacities and growth in some of our target location and demands from our target customers for our products may be limited and may not be able to support our expansion plan. There could be overlapping coverage and unexpected competition between our existing retail stores and additional retail stores due to the over-expansion and cannibalisation effect. As a result, our new retail stores may not perform as anticipated and may have adverse effect on the overall performances of our retail stores and our profitability.

Our success depends on our key personnel, and our business and growth prospects may be severely disrupted if we lose their services or are unable to attract new employees to replace these key personnel

Our success depends on the continuous contributions of our executive Directors and senior management. In particular, we rely on the expertise and experience of Mr. Lin, our chairman of the Board and our executive Director and Ms. Hui, our executive Directors for formulating our Group's strategic planning and overall business development. For details of our key personnel, please refer to section headed "Directors, senior management and employees" in this prospectus.

If one or more key personnel are unable or unwilling to continue in their present positions within our Company, we may not be able to replace them easily or at all, which may cause a significant disruption to our business operations, strategic plan and strategic implementation, and materially and adversely affect our financial condition and results of operations. We may have to incur additional and potentially significant expenses to recruit new personnel and train existing employees, which may in turn increase our costs of operations and adversely affect our profitability.

Our four warehousing premises are located at the same building, any force majeure event affecting such warehousing facilities and their functionality may severely disrupt our business and bring loss and damage to our Group

We have four warehousing premises located in a building at Kowloon Bay, Kowloon, Hong Kong for storing our inventory before they are being delivered to our retail stores. In the event there is any material unexpected disruption at or in the vicinity of our warehousing premises as a result of the occurrence of any force majeure events, including fire, power and water outage and other discontinuation of utilities beyond our Group's control, it may directly cause substantial damage or destruction to our warehousing premises and our stocks. We cannot guarantee that any precautionary measures implemented at our warehousing premises, such as fire safety facilities and CCTV surveillance system, will be effective in minimising such risks of business disruptions and potential loss and damages. There is no assurance that our Group will be able to take adequate steps to mitigate the potential impact of such disruptions effectively. The occurrence of any of such force majeure incidents in the future may cause partial or total loss of our stocks, and result in material damage or destruction to our warehousing facilities and equipment. Our operation may be severely impaired or even put to a halt, which may lead to material adverse impact on our Group's results of operations.

RISK FACTORS

We are exposed to fluctuations in foreign currency exchanges rates

We purchase our products from various overseas suppliers mainly from US, Europe and Japan and the settlement currency for our purchases is primarily in foreign currency whereas the settlement currency for all our sales is generally in Hong Kong dollar. During the Track Record Period, approximately 26.8%, 31.5%, 33.4% and 32.3% of our total purchases were settled in US dollars, respectively and approximately 39.5%, 43.1%, 42.7% and 39.8% of our total purchases were settled in foreign currencies other than US dollars and HK dollars, respectively. Foreign currencies other than US dollars are not linked to Hong Kong dollar and their exchange rates against Hong Kong dollar may fluctuate. Foreign exchange difference is classified as administrative and other expenses. We recorded foreign exchange difference of approximately HK\$5,000, HK\$164,000, HK\$1.5 million and HK\$1.0 million for the three years ended 31 March 2018 and the four months ended 31 July 2018, respectively. Further, although the exchange rate of Hong Kong dollar is currently pegged to US dollars, there is no assurance that such policy on linked exchange rate will not change or cease in the future. Our Group currently does not have any foreign currency hedging policy. We generally use trust receipt loans, invoice financing and opening of letter of credit to settle our purchase made in foreign currencies. The fluctuation in foreign currencies would affect our procurement costs in terms of Hong Kong dollars. In order to maintain our competitiveness in the market, we may not be able to increase the retail prices of our products to cover losses derived from depreciation in Hong Kong dollars. Accordingly, depreciation in Hong Kong dollars against foreign currencies may adversely affect our results of operations.

Our Group faces the risk of obsolescence of our inventory which may adversely affect our cash flow and liquidity

Our retail business involves storage and stocking of a range of prepackaged leisure food and other grocery products with different shelf life. In light of the nature of our products, our purchasing team will monitor our product flow and inventory level on our POS system to minimise incidences of overstocking and expiration of our inventory. We had written-off approximately HK\$3.1 million, HK\$4.5 million, HK\$5.3 million and HK\$1.5 million, respectively, of our inventory for the three years ended 31 March 2018 and the four months ended 31 July 2018, respectively as a result of our disposal of damaged, unsold or expired products and stock loss. However, we had not provided for impairment of inventory as a result of expiry or damage of products and no provision for impairment of inventories was recorded during the Track Record Period. If we cannot manage our inventory efficiently in the future, our liquidity and cash flow may be adversely affected. Furthermore, if we fail to source appropriate products to suit consumer preferences in the future, the volume of slow-moving inventories or expired products may increase and we may need to sell off slow-moving inventories at a lower price or dispose expired products, and in such event, our financial position and results of operations may be materially and adversely affected.

Our results of operations may fluctuate due to seasonality and other factors

Our overall results of operations may fluctuate from period to period due to various factors, including the timing of additional store openings and the incurrence of associated pre-opening costs and expenses, operating costs for our newly opened stores, any losses associated with our store closings and seasonal fluctuations that may vary depending upon the region in which a particular store is located. We generally derived a higher amount of revenue from December to February, which accounted for approximately 38.2%, 34.8% and 37.1% of the total revenue for each of the three years ended 31 March

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2018 respectively. Our Directors believe that this was due to the festive promotion in our retail stores during festive seasons, such as Christmas, New Year and Chinese New Year. This seasonal pattern may result in the fluctuation of our operating results, therefore, comparing our results of operations across different periods of a given year as an indicators of future performance may not be meaningful and should not be relied upon as indicators of our future performance. Furthermore, if our operations are disrupted or affected by unpredictable events during these festive seasons, our business, financial condition and results of operations would be adversely affected.

The owners of certain of our leased properties for our retail stores had been served with building order or warning notice. Any rectification works carried out at our leased properties to comply with the building order or warning notice may affect our operation and performance

As at the Latest Practicable Date, there were one unreleased building order and one warning notice issued by the Building Authority pursuant to the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) against two of our leased properties for our retail stores. For details of the building order and warning notice, please refer to the section headed “Business – Building order and warning notice registered against our leased properties for our retail stores”.

There can be no assurance that all of the premises of which our retail stores are located are free from unauthorised structures. In the event that such unauthorised structures are required to be removed and/or rectified, the operation of our relevant retail stores will be affected and there may be adverse effect on our Group’s performance.

We generally do not enter into long-term agreement with our suppliers and our business may be adversely affected if we fail to secure stable supply of products from our suppliers

We generally do not enter into long-term supply agreements with our suppliers. There is no assurance that our suppliers will be able to supply the required leisure food or grocery products to us in a timely manner or that they will not significantly increase the prices at the time of our purchase. We may face loss of our existing customers if we cannot provide a stable supply of our products. In addition, we may not be able to secure alternative supplies of similar quality from other suppliers at prices and terms acceptable to us. In such event, our business, financial condition and operation results may be materially and adversely affected.

Our Group’s business and operations are susceptible to food safety issue, product liability claims or product recalls

As with other prepackaged food retailers, our Group is subject to product liability claims or product recalls if our products sold are found to be defective, unfit for consumption or causing illness. Particularly for prepackaged leisure food products, products may be rendered unfit for consumption due to food ingredient or product contamination, illegal tampering of products by unauthorised third parties or other problems arising during various stages of production, procurement, transportation or storage processes. As we are not involved in the production of the products, in the event there are safety or quality issues relating to these products, we may consequently be involved in legal or other proceedings initiated in relation to the product liability. During the Track Record Period, we were involved in the Snickers international recall incident and prepackaged dried mangoes recall incident in Hong Kong. The

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total value of the products involved in the food recall incidents only amounted to approximately HK\$44,000 in aggregate, and accounted for less than 0.01% of our total purchase for each of the years ended 31 March 2016 and 2018, respectively and nil for the year ended 31 March 2017 and the four months ended 31 July 2018. For further details of such food safety incidents, please refer to the paragraph headed “Business – Food safety concerns”. We cannot assure you that our internal control measures on food safety will be effective and/or we will not be subject to any product recall or product liability claims due to deficiencies in product quality, product contamination or other food safety issues in the future. Furthermore, though we are provided with the ingredient information of the products, we cannot assure you that we will be able to detect any or all harmful and/or forbidden substance in the products procured by us in every circumstances.

If any product liability claim is brought against us in the future, whether or not the claim is ultimately successful, the negative publicity associated with such claims could adversely affect our reputation. Further, the full amount of our financial liability under a product liability claim may not be fully covered by our insurance or at all, and any claim may also result in legal costs and other costs incurred in connection with a product recall campaign or in rectifying any product defects, any of which could have an adverse effect on our business, results of operations and financial condition.

We recorded net operating cash outflow for the year ended 31 March 2016 and for the four months ended 31 July 2017 and 2018

We recorded net cash outflow from operating activities of approximately HK\$0.6 million, HK\$24.9 million and HK\$15.5 million for the year ended 31 March 2016 and for the four months ended 31 July 2017 and 2018, respectively. Please refer to the paragraph headed “Financial Information — Liquidity, financial resources and capital structure” for reasons of the net operating cash outflow.

Regardless of the performance from our operating activities, we may experience period of net cash outflow from operating activities in the future. For instance, we may from time to time need to incur additional working capital for purchase and replenishment of additional inventories, payment of rental deposits, renovation and acquisition of equipment and employment of additional staff in the course of opening additional retail stores, which may take time for achieving breakeven or investment payback and may not be able to result in immediately increase in net operational cash inflow. If we are unable to obtain sufficient funds to finance our business operation or expansion, our liquidity and financial condition may be materially and adversely affected. There is no assurance that we will have sufficient cash from other sources to fund our operations or expansion. If we resort to other financing activities to generate additional cash, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the required financing on terms acceptable to us, or at all.

We may be unable to detect, defer and prevent misconduct by our employees, customers and other third parties

As at 31 July 2018, our Group had a total of around 583 full-time and part-time employees. Fraud or other misconduct by employees at different operational levels of our Group, whether individually or in collusion with other employees, customers or other third parties, could reduce our operational efficiency and business performance, and may even result in violations of laws by our Group, third party claims and regulatory actions against our Group and serious reputation or financial harm to our Group. Although we

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have certain internal control procedures and systems in place, including cash handling procedures, we cannot assure you that all our employees will fully comply with our Group's internal control procedures and systems when performing their duties. In addition, we may also be subject to misconduct by third parties such as our suppliers and customers, including (among others) our suppliers providing us with defective products, products with false trade description, pirated products or other illegal products, or customers stealing merchandise or paying for purchases with counterfeit banknotes. We cannot assure you that we will be able to prevent or detect all incidents of wrongdoings by third parties. Any misconduct committed against us or our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and results of operations.

Any failure to properly handle our members' personal information may constitute a breach under Personal Data (Privacy) Ordinance and harm our business reputation and customers' confidence in us

We have maintained membership scheme since April 2015 for promoting customer loyalty and stimulating sales. In the course of maintaining our membership scheme, we would collect personal information of our customers who join our membership from time to time, and our collection, holding, processing and use of such personal information are regulated by Personal Data (Privacy) Ordinance. We consider our membership scheme an important asset of our Group, and we have adopted internal guidelines for the protection of personal data of our members, and to ensure our Group's compliance with Personal Data (Privacy) Ordinance. Nevertheless, the efforts that we take to protect our members' personal information may not always be sufficient or effective. Any improper handling of our members' personal information as a result of any misconduct by our employees or any information leakage due to external factors, such as unauthorised access to our members' database by hackers, could harm our business reputation and our customers' confidence in us, adversely affect the implementation of our membership scheme, and may constitute a breach under Personal Data (Privacy) Ordinance.

Our insurance policies may not be sufficient to cover liabilities arising from claims and litigation and our insurance premium may increase from time to time

We maintain insurance policies which cover, among others, (i) statutory employees' compensation for all full time and part time employees; (ii) contractors' public liability for all interior and exterior decoration, renovation, repairs, maintenance works and reinstatement work for our retail stores; (iii) shop package insurance to cover contents and stocks and third party public liability in the retail stores; (iv) stock coverage for the stocks in our office and warehouses; (v) medical insurance for our full-time employees; and (vi) marine cargo. However, there may be circumstances in which we will not be covered or compensated for certain types of losses, damages and liabilities we may incur. If we are held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

In respect of our operating lease commitments, the future application of HKFRS 16 “Leases” may materially affect the amounts of right-of-use assets, lease liabilities, rental expense, depreciation and interest expense to be recognised after the adoption of this standard.

During the Track Record Period, our Group was lessee under various lease arrangements related to our business operation. Our current accounting policy for such leases is set out in note 3 of the Accountants’ Report in Appendix I to this prospectus. As at 31 July 2018, our total non-cancellable operating lease commitments amounted to approximately HK\$146.0 million.

During the Track Record Period, our future operating lease commitments were not reflected in our combined statements of financial position. HKFRS 16 “Leases”, which we expect to apply for the first time for our financial year ending 31 March 2020, provides new provisions for the accounting treatment of leases and will in the future upon adoption of the standard no longer allow lessees to recognise certain leases outside of the combined statement of financial position. Instead, for all leases with a term of more than 12 months, unless the underlying asset is of low value, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There are certain recognition exemptions under HKFRS 16 that a lessee may elect in respect of short-term leases (leases that, at the commencement date of the respective leases, have a lease term of 12 months or less) and leases for which the underlying asset is of low value. The new standard will therefore result in an increase in right-of-use assets and an increase in lease liabilities in our combined statement of financial position after the adoption of new standard. This will affect our related financial ratios, such as an increase in debt to equity ratio. We do not have any existing debt covenants that are directly affected by change in our lease liability position. In our combined statement of comprehensive income after the adoption of the new standard, the financial impact of leases will be recognised in the future as depreciation of the right-of-use assets and will no longer be recorded as rental expenses. Interest expenses on the lease liability will be presented separately under finance costs. As a result, the rental expense under otherwise identical circumstances will decrease, while depreciation and interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to statement of comprehensive income in the initial year of the lease, and decreasing expenses during the latter part of the lease term. Further details of the application of HKFRS 16 are set out in note 3 of the Accountants’ Report in Appendix I to this prospectus.

RISKS RELATING TO OUR INDUSTRY

We operate in a competitive industry and cannot assure you that we will be able to compete successfully

According to the Frost & Sullivan Report, the overall leisure food retail market is very competitive as we compete with other chain leisure food retailers that operate at 20 or more retail stores in Hong Kong and supermarkets. Our larger scale competitors may have greater financial and marketing resources than we do and our smaller scale competitors may be able to better react to changes in pricing and consumer preferences than we can. Key competitive factors in our industry include price, product being able to keep up with the market trends and product quality. If we fail to compete effectively or cost-efficiently against our competitors, we may lose or be unable to increase our market shares, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

RISK FACTORS

We rely on the Hong Kong retail sales market, and any slowdown in the Hong Kong economy may adversely affect our business, results of operations and financial performance

During the Track Record Period, we generate over 99.0% of our revenue from the sale of products from our retail stores in Hong Kong, while the balance of our revenue was attributable to the bulk-sales to our customers in Hong Kong. Our Directors anticipated that income generated from retail sales in Hong Kong will continue to be our Group's principal source of income after Listing. If Hong Kong experiences any adverse economic or market conditions due to events beyond our control, such as local economic downturn (including any actual or forecasted economic recession), decrease in tourists visiting Hong Kong, natural disasters, contagious disease outbreaks or terrorist attacks, our overall business and results of operations may be materially and adversely affected. Therefore, if there is any perceived or actual weakening in the economic, market, political or regulatory environment in Hong Kong, that affect consumer spending, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our employee expenses may further increase due to factors beyond our control, such as changes in employees' protection legislation

Our employee expenses amounted to approximately HK\$36.6 million, HK\$56.5 million, HK\$87.7 million and HK\$33.8 million for each of the year ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018, respectively, representing approximately 7.7%, 8.2%, 8.1% and 10.0% of our revenue during the respective years and period. Although we have managed to maintain relatively stable employee expenses as a percentage of revenue historically, such ratio may increase in the future due to factors beyond our control, including rates of inflation, minimum wages and laws relating to employee salaries and benefits.

In particular, the salary level of employees in the retail industry in Hong Kong has been increasing due to the shortage in labour supply in recent years. According to the Frost & Sullivan Report, between 2013 and 2017, the average monthly salaries of all the occupations in the retail industry in Hong Kong has increased at a CAGR of 2.4% from HK\$16,403 per month in 2013 to HK\$18,007 per month in 2017. With effect from 1 May 2017, the statutory minimum wage in Hong Kong was increased to HK\$34.5 per hour. Our operations in Hong Kong are required to comply with the statutory minimum wage requirements, further increases to the minimum wage will lead to an increase in our employee expenses.

We may not be able to increase our prices effectively to pass such increased employee expenses onto our customers, or we may lose certain customers due to our increased prices, in which case our business, financial condition and results of operations would be materially and adversely affected.

We operate in a regulated industry and our Group could be exposed to liability by litigation which may affect our business operation and reputation

The retail business which our Group is principally engaged in, is regulated by various laws and regulations relating to food safety, food labelling, consumer goods safety and intellectual property rights in Hong Kong, such as Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong), Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong), Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong), Consumer Goods Safety Ordinance (Chapter 456 of

RISK FACTORS

the Laws of Hong Kong), Pesticides Ordinance (Chapter 133 of the Laws of Hong Kong), Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong), Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) and Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) and Occupational Safety and Health Regulation (Chapter 509A of the Laws of Hong Kong). We are also subject to the corresponding sub-legislations and regulations under the above ordinances.

In compliance with the relevant legislations and regulations, our Group is required to obtain necessary licences, certificates or registration for the operation of our business. Such licences and certificates may contain provisional requirements on labelling, advertising and importation of some of our products. During the ordinary course of our business operations, our Group is exposed to liability arising from the non-compliance of the above laws and regulations if our employees are not familiar with the relevant rules and regulations. For details, please refer to the paragraph headed “Business – Legal proceedings and potential claims” in this prospectus. In addition, our Group is also exposed to complaints from the Consumer Council for the products that we sold. We were also involved in certain food safety incidents during the Track Record Period. For details of the food safety incidents, please refer to the paragraph headed “Business – Food safety concerns”. These actions could also expose us to adverse publicity, which might adversely affect our brands and reputations.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares. The trading volume and market price of the Shares following the Share Offer may be volatile

Prior to the Share Offer, there was no public market for our Shares. The initial offer price range to the public for our Shares was the result of negotiations between us and the Sole Bookrunner (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Share Offer. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. However, the Share Offer does not guarantee that an active liquid public trading market for our Shares will develop. In addition, the price and trading volumes of the Shares may be volatile. Factors such as variations in our revenue, earnings and cash flows or any other developments of our Company may affect the volume and price at which the Shares will be traded.

Purchasers of our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The Offer Price of our Shares is higher than the net tangible asset value per Share immediately prior to the Share Offer, Reorganisation and the Capitalisation Issue. Therefore, purchasers of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted combined net tangible assets value of HK\$0.37 per Share, based on the maximum Offer Price of HK\$1.2 per Offer Share.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience dilution in the net tangible assets value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible assets value per Share at that time.

RISK FACTORS

There can be no assurance if and when we will pay dividends in the future

No dividend has been paid or declared by our Group during the Track Record Period but dividends in an aggregate sum of HK\$20 million had been declared to the then shareholders after 31 July 2018 and up to the Latest Practicable Date. Our future payments of dividends will be at the absolute discretion of our Board. We cannot assure you when or whether we will pay dividends in the future. Our Directors may declare dividends after taking into account, among others, our results of operations, available cashflows and financial condition, operating and capital requirements, our Articles of Association, the Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. For further details of our dividend policy, please see the paragraph headed “Financial information – Dividend” in this prospectus.

Investors should not rely on any information contained in press articles or other media regarding us and the Share Offer

Prior to the publication of this prospectus, there has been press and media coverage regarding our Company and the Share Offer. Such press and media coverage may include references to certain events or information that do not appear in this prospectus, including certain operating and financial information and projections, valuations, views and opinions regarding our Shares and the Share Offer. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors should not rely on any such information and should only rely on information included in this prospectus, the Application Forms and any formal announcements made by us in making any investment decision as to whether to purchase our Shares.

We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from the Frost & Sullivan Report contained in this prospectus

Statistical and other information relating to our industry contained in the section headed “Industry overview” in this prospectus have been compiled partly from various official government publication as well as a commissioned report issued by Frost & Sullivan. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality of such source materials. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. Neither the Sole Sponsor nor the Underwriters nor any of their affiliates or advisers, nor we or any of our affiliates or advisers have verified the accuracy of the information contained in such sources. We make no representation as to the accuracy of the information contained in such sources, which may not be consistent with other information compiled in Hong Kong. Accordingly, the industry information and statistics contained herein may not be accurate and should not be unduly relied upon for your investment in our Company or otherwise.

RISK FACTORS

Shareholder rights under Cayman Islands law differ from those under the laws of Hong Kong

Our corporate affairs are governed by our currently effective Memorandum of Association and Articles, the Companies Law, and the common law of the Cayman Islands. The fiduciary duties of our Directors to us and to our Shareholders and the rights of our Shareholders to take actions against our Directors are, to a large extent, governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from the relatively limited judicial precedents in the Cayman Islands as well as English common law, the latter of which are persuasive, but not binding, on Cayman Islands courts. The fiduciary duties of our Directors and the rights of our Shareholders under Cayman Islands law may differ from certain other jurisdictions, such as Hong Kong. You may find additional information in Appendix III to this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this prospectus misleading and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on basis and assumptions that are fair and reasonable.

THE PUBLIC OFFER AND THIS PROSPECTUS

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set forth the terms and conditions of the Public Offer.

The listing of our Shares on the Stock Exchange is sponsored by the Sole Sponsor. Pursuant to the Public Offer Underwriting Agreement, the Public Offer is underwritten by the Public Offer Underwriters on a conditional basis, with one of the conditions being that the Offer Price is agreed between the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and us. The Placing is managed by the Sole Bookrunner. The Placing Underwriting Agreement is expected to be entered into on or around the Price Determination Date, subject to agreement on the Offer Price between the Sole Bookrunner (for itself and on behalf of the Underwriters) and us. Further details of the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

The Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus, and the procedures for applying for our Shares are set out in the section headed "How to Apply for Public Offer Shares" of this prospectus and on the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DETERMINATION OF THE OFFER PRICE

The Shares are being offered at the Offer Price which will be determined by the Sole Bookrunner (for itself and on behalf of the Underwriters) and us on or around Friday, 4 January 2019 or such later date as may be agreed upon between the Sole Bookrunner (for itself and on behalf of the Underwriters) and us, and in any event no later than Wednesday, 9 January 2019. If the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on such date, the Share Offer will not proceed.

RESTRICTIONS ON OFFER AND SALE OF THE SHARES

No action has been taken to permit a public offering of the Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation for subscription in any jurisdiction or in any circumstances in which such an offer or invitation for subscription is not authorised or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sales of the Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Shares under the Share Offer will be required to confirm, or be deemed by his acquisition of the Shares to confirm, that he is aware of the restrictions on offers and sales of the Shares in this prospectus. In particular, the Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer, the Capitalisation Issue and the Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme.

Save for the application for the listing of, and permission to deal in our Shares on the Stock Exchange in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue and the Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme, none of our Shares are listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 11 January 2019. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares will be 2360.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasise that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Share Offer accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

REGISTER OF MEMBERS AND STAMP DUTY

All Shares issued pursuant to applications made in the Share Offer will be registered on our Company's branch register of members to be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited, the Hong Kong Share Registrar. Our Company's principal register of members will be maintained in the Cayman Islands. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

No stamp duty is payable by applicants in the Share Offer.

Dealings in the Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty.

No representation is made and none should be construed as being made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all on such date or any other date. Unless indicated otherwise.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between this English prospectus and the Chinese translation of this English prospectus, this English prospectus shall prevail.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Lin Tsz Fung (林子峰)	Room 1975, 19th Floor Tower 13, Parkview Heights Hong Kong Parkview No. 88 Tai Tam Reservoir Road Hong Kong	Chinese
Ms. Hui Ngai Fan (許毅芬)	28/F, Celestial Heights 27 Celestial Avenue Ho Man Tin, Kowloon	Chinese
<i>Independent Non-executive Directors</i>		
Mr. Sze Irons (施榮懷) <i>BBS JP</i>	Flat A1, 16/F Summit Court 144 Tin Hau Temple Road Hong Kong	Chinese
Ms. Choy So Yuk (蔡素玉) <i>BBS JP</i>	Flat A, 29/F Cumine Court 52 King's Road North Point, Hong Kong	Chinese
Mr. Lee Ka Lun (李家麟)	19C, Block 1 Illumination Terrace 5-7 Tai Hang Road, Causeway Bay, Hong Kong	Chinese

Please see “Directors, Senior Management and Employees” section in this prospectus for further information of our Directors and senior management.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	Lego Corporate Finance Limited <i>(a corporation licenced to carry out Type 6 (advising on corporate finance) regulated activity under the SFO)</i> Room 1601, 16/F, China Building 29 Queen's Road Central Hong Kong	
Sole Bookrunner	Lego Securities Limited <i>(a corporation licenced to carry out Type 1 (dealing in securities) regulated activity under the SFO)</i> Room 301, 3/F, China Building 29 Queen's Road Central Central, Hong Kong	
Joint Lead Managers	Great Roc Capital Securities Limited <i>(a corporation licenced to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO)</i> Suite 1601-1603, 16/F., West Tower, Shun Tak Centre 168-200 Connaught Road Central Hong Kong	Lego Securities Limited <i>(a corporation licenced to carry out Type 1 (dealing in securities) regulated activity under the SFO)</i> Room 301, 3/F, China Building 29 Queen's Road Central Central, Hong Kong
Co-Lead Managers	Kingsway Financial Services Group Limited <i>(a corporation licenced to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO)</i> 7/F Tower 1, Lippo Centre 89 Queensway Hong Kong	

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Elstone Securities Limited

*(a corporation licensed to carry out Type 1
(dealing in securities) regulated activity under the SFO)*
Suite 3712, 37/F., West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Lead Securities (HK) Limited

*(a corporation licensed to carry out Type 1
(dealing in securities) regulated activity under the SFO)*
Unit A, 23/F The Wellington
198 Wellington Street
Sheung Wan, Hong Kong

Canfield Securities Company Limited

*(a corporation licensed to carry out Type 1
(dealing in securities), Type 4 (advising on securities)
and Type 9 (asset management) regulated activity under the SFO)*
Units 4201-05, COSCO Tower
183 Queen's Road Central
Hong Kong

Legal advisers to our Company *As to Hong Kong law*

Tracy Ong & Co.

3908A, 39th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

As to Cayman Islands

Conyers Dill & Pearman

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Hong Kong Legal Counsels	Ms. Winnie Tam S.C. and Mr. Ling Chun Wai Barristers-at-law Des Voeux Chambers 38/F Gloucester Tower The Landmark Central Hong Kong
Legal adviser to the Sole Sponsor and the Underwriters	<i>As to Hong Kong law</i> Chiu & Partners 40th Floor Jardine House 1 Connaught Place Central, Hong Kong
Auditor and reporting accountants	BDO Limited <i>Certified Public Accountants</i> 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Industry consultant	Frost & Sullivan Limited Room 1706, One Exchange Square 8 Connaught Place Central, Hong Kong
Property valuer	Grant Sherman Appraisal Limited Unit 1005, 10th Floor Capital Centre 151 Gloucester Road Wanchai, Hong Kong
Receiving bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
Authorised person registered under Buildings Ordinance	Mr. Poon Kai Kit, Joe Unit E, 33/F, Legend Tower 7 Shing Yip Street Kwun Tong, Kowloon

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Principal place of business in Hong Kong	14/F, SML Tower 165 Hoi Bun Road Kwun Tong, Kowloon, Hong Kong
Company website	www.bestmart360.com <i>(information on this website does not form part of this prospectus)</i>
Company secretary	Ms. Hung Ching Yuen Flat F2, 3/F, 9 Fessenden Road, Kowloon Tong, Kowloon
Authorised representatives (for the purpose of the Listing Rules)	Mr. Lin Tsz Fung Room 1975, 19th Floor Tower 13, Parkview Heights Hong Kong Parkview No. 88 Tai Tam Reservoir Road Hong Kong Ms. Hung Ching Yuen Flat F2, 3/F, 9 Fessenden Road, Kowloon Tong, Kowloon
Audit committee	Mr. Lee Ka Lun (<i>Chairman</i>) Mr. Sze Irons <i>BBS JP</i> Ms. Choy So Yuk <i>BBS JP</i>
Remuneration committee	Mr. Sze Irons <i>BBS JP (Chairman)</i> Ms. Choy So Yuk <i>BBS JP</i> Mr. Lin Tsz Fung
Nomination committee	Ms. Choy So Yuk <i>BBS JP (Chairman)</i> Mr. Lee Ka Lun Ms. Hui Ngai Fan

CORPORATE INFORMATION

**Principal share registrar and
transfer office in the
Cayman Islands**

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Compliance adviser

Lego Corporate Finance Limited

Principal bankers

Hang Seng Bank Limited
83 Des Voeux Road Central,
Hong Kong

Dah Sing Bank, Limited
Dah Sing Financial Centre
108 Gloucester Road, Hong Kong

INDUSTRY OVERVIEW

The information contained in this section has been prepared by Frost & Sullivan which we commissioned. We believe that the sources of such information and statistics are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. None of our Company, the Sole Sponsor, the Sole Bookrunner, the Underwriters or their respective directors, advisers (which, for the purpose of this paragraph, excludes Frost & Sullivan) and affiliates has independently verified such information and statistics and none of them gives any representation as to the accuracy of such information and statistics.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the leisure food retail and grocery retail market in Hong Kong. We agreed to pay Frost & Sullivan a fee of HK\$360,000 for the report. Our Directors are of the view that the payment does not affect the fairness of the views and conclusions presented in the Frost & Sullivan Report.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

The Frost & Sullivan Report includes information on the leisure food retail market in Hong Kong as well as other economic data. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the leisure food retail market in Hong Kong. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise stated, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

In compiling and preparing the report, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period and the market drivers such as the growth of Hong Kong nominal GDP, and stable increase of population, are expected to drive the growth of the leisure food retail market in Hong Kong.

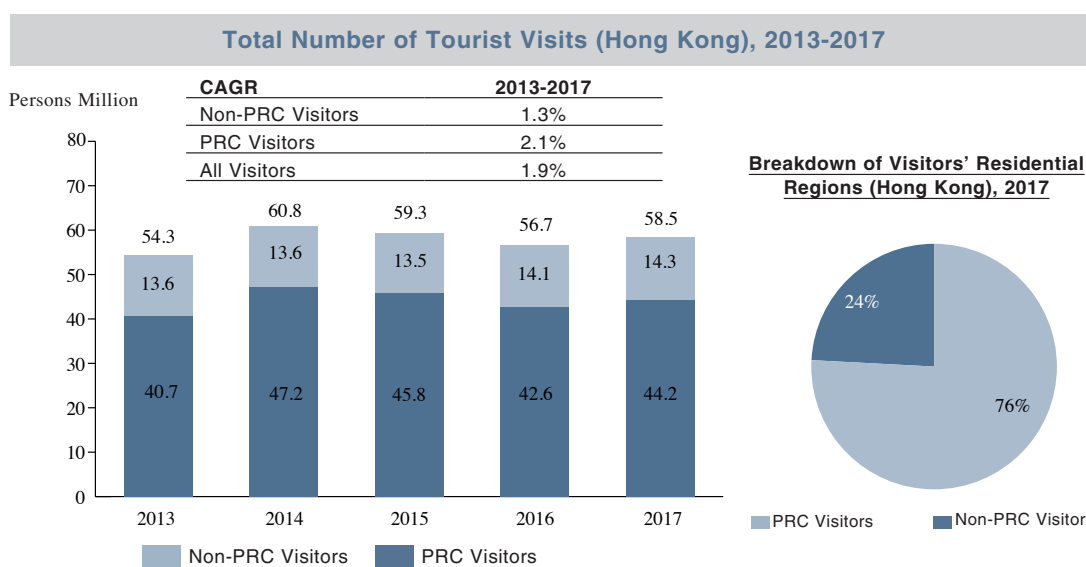
Our Directors, after making due and reasonable enquiries, are of the view that there has been no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information therein.

MACROECONOMY OF HONG KONG

According to the latest statistics published by the Census and Statistics Department in 2015, the average monthly household expenditure of food and beverages in Hong Kong increased from approximately HK\$5,859.0 in 2010 to approximately HK\$7,554.0 in 2015, of which approximately HK\$2,606.0 was expenditure for food and beverages excluding meals bought away from home, representing a CAGR of approximately 5.2%. Despite fluctuations in the macroeconomic environment, household expenditure on food and beverages remains a steady growth. It is estimated that the average monthly household expenditure on food and beverages will grow at a CAGR of 3.7% and further reach approximately HK\$9,712.0 by the end of 2022, of which approximately HK\$3,307.8 was expenditure for food and beverages excluding meals bought away from home.

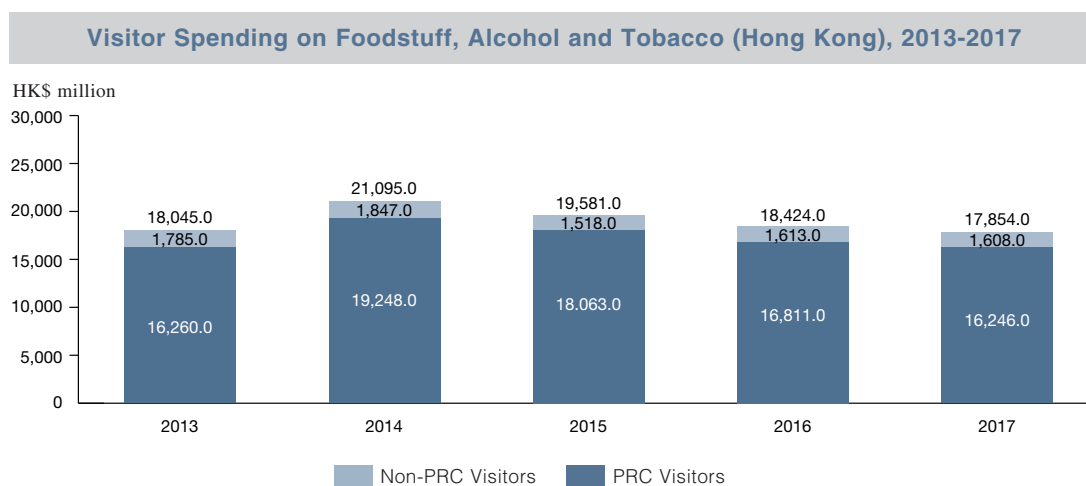
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The total number of tourist visits in Hong Kong grew at a CAGR of approximately 1.9% from approximately 54.3 million arrivals in 2013 to approximately 58.5 million arrivals in 2017. In 2013 and 2014, visitors from the PRC accounted for approximately 75.0% and 77.7% of the total visitors, respectively. The number of visitors from the PRC dropped in 2015 and 2016 compared to that in 2014 which is mainly due to the change of policy regarding individual visit endorsements for permanent residents in Shenzhen from “multiple-entry” permit to “one trip per week” permit taken place in April 2015. Visitors from the PRC has gained its momentum in 2017, growing at approximately 3.9%. The continuous marketing efforts made by the Hong Kong Tourism Board will attract more tourists in particular from the PRC, supporting the visitors’ growth in the forthcoming year.



Source: Hong Kong Tourism Board, Frost & Sullivan

According to the Hong Kong Tourism Board, the overall tourists spending on foodstuff, alcohol and tobacco in Hong Kong decreased from approximately HK\$18,045.0 million in 2013 to approximately HK\$17,854 million in 2017, at a CAGR of approximately -0.3%. However, the total amount of spending by tourists recorded a decline from approximately HK\$21,095.0 million in 2014 to approximately HK\$18,424.0 million in 2016, recording a negative CAGR of approximately 4.4%. The drop in tourists spending in Hong Kong was caused by the decline in total number of visitors to Hong Kong in the same period which was mainly due to the decrease of visitors from the PRC as they accounted for approximately 91.2% of the total tourist spending in 2016.



Source: Hong Kong Tourism Board, Frost & Sullivan

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OVERVIEW OF THE GROCERY RETAIL MARKET IN HONG KONG

The grocery retail market in Hong Kong refers to foodstuffs such as crisps, candies, beverages etc. and household necessities such as cleaning supplies, dustpans, sanitary products etc. that are available to consumers in the retailing sector. When the term grocery retail store is mentioned, consumers in Hong Kong usually recall tuck shop (“士多”) or provision store (“雜貨店”) that sell food such as rice, eggs, oil, condiments, candies, beverages and some household items. However, there are only very limited stores as such left in Hong Kong and now grocery stores have transformed to be operated through three major retail channels: i) grocery stores, ii) department stores, and iii) supermarkets.

Grocery stores operate in a smaller scale when compared to department stores and supermarkets where there are both chain stores and individually operated stores in Hong Kong. Grocery stores usually focus on offering either foodstuffs or household products nowadays in Hong Kong. The classification of leisure food retail and household goods retail stores are based on the proportion of leisure food products or household goods products available in store. However, it is common that leisure food retail store would also sell a small proportion of household goods products and the same applies to household goods stores in selling leisure food products.

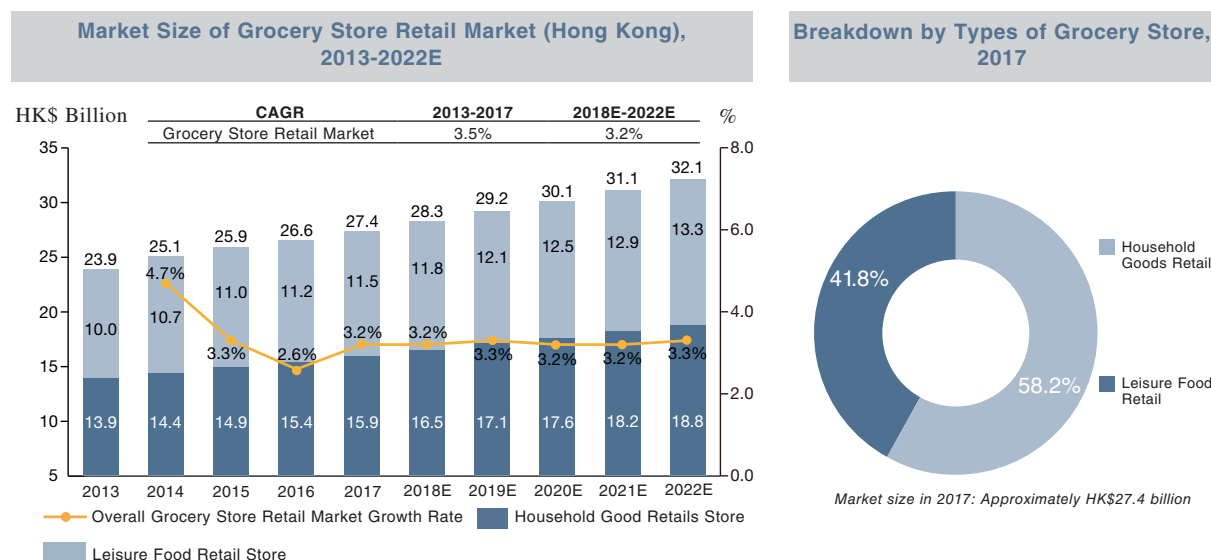
Department stores offer an array of products ranging from clothing, household electronics, furniture and etc. Usually department stores in Hong Kong also operate a supermarket within their store selling foodstuffs.

Supermarkets, including convenience stores, are usually operated by different retail chains owners selling foodstuffs and/or household items. Compare to department stores and grocery stores, supermarkets are highly penetrated into the consumers market as they are located in all populated residential areas in Hong Kong, which drives many consumers to visit their outlets in making purchases.

Market Size

Market Size of Grocery Store Retail Market in Hong Kong

The overall market size of the grocery store market in Hong Kong recorded steady growth from approximately HK\$23.9 billion in 2013 to approximately HK\$27.4 billion in 2017, representing a CAGR of approximately 3.5%. With the positive outlook of the future economy, the grocery store retail market in Hong Kong will continue to grow in the next few years at a CAGR of approximately 3.2% and reach approximately HK\$32.1 billion by the end of 2022.



Source: Frost & Sullivan

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OVERVIEW OF THE LEISURE FOOD RETAIL MARKET IN HONG KONG

Definition and Classification

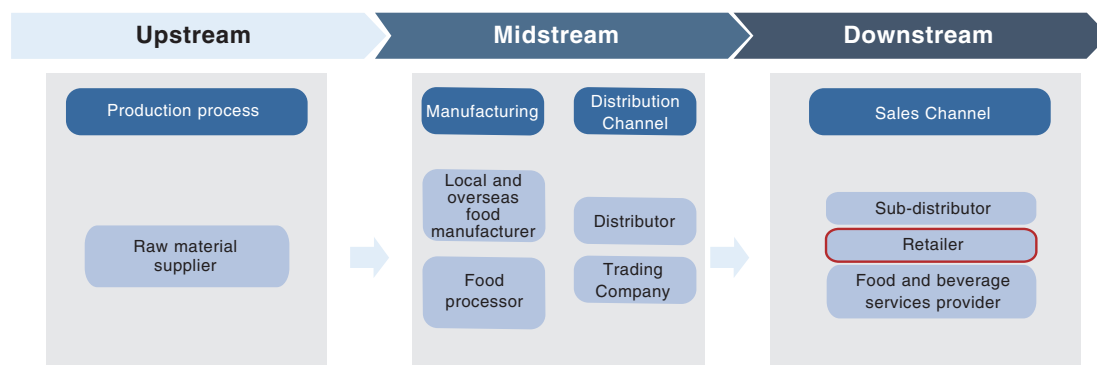
Leisure food refers to light, smaller portion of packaged food that is generally eaten between meals. It is a collection of food mainly comprising:

- Confectioneries: such as candies, chewing gums, chocolate;
- Nuts and dried fruits: such as dried and preserved fruits, vegetable chips;
- Packaged bakery products and snacks: such as cookies, cakes, pastries, crackers, bread, potato chips;
- Grains products: such as grains, seeds, cereal, pasta;
- Others: such as canned food, baby food, beef jerky, dried squid shreds, etc.

Value Chain Analysis of the Leisure Food Retail Market in Hong Kong

The value chain of the leisure food retail market in Hong Kong consists of various stakeholders, including the upstream, midstream, and downstream participants. The upstream of the leisure food retail industry refers to the participants engaged in the food production processes, that is the suppliers of raw materials. The manufacturers in the midstream are also involved in the packaging of food products for subsequent distribution and sales in both local and overseas market. It will then pass along to distributors and trading companies for distribution. For market participants in the downstream along the value chain, they will further distribute food products to the ultimate customers and some would resell the goods to sub-distributors, retailers such as supermarkets, department stores, grocery stores, convenience stores and food and beverage services providers such as restaurants, hotels, offices etc.

Our Group positions as a downstream participant along the value chain which mainly involves in the provision of retailing services of leisure food products and sources the goods from distributors, trading companies and food manufacturers.



 denotes the position of our Group

Source: Frost & Sullivan

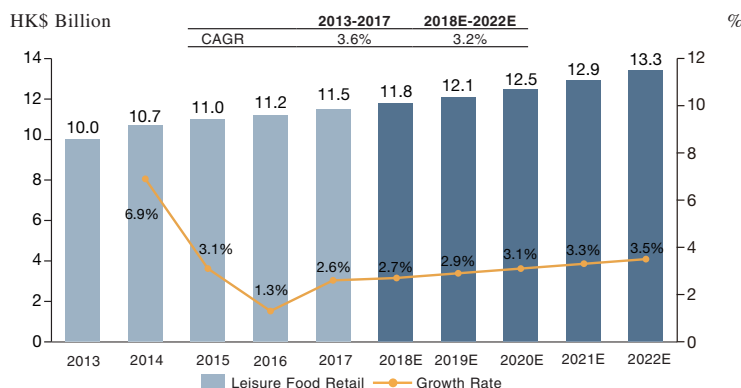
Market Size

Total Market Size of Leisure Food Products in Hong Kong

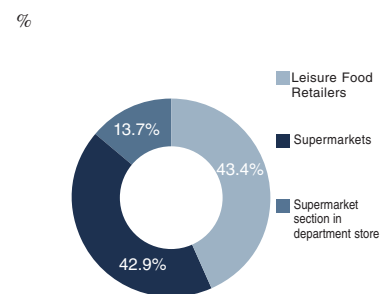
The total market size of leisure food products in Hong Kong rose from approximately HK\$10.0 billion in 2013 to approximately HK\$11.5 billion in 2017, growing at a CAGR of approximately 3.6% over the past five years. In 2017, food retailers and supermarkets contributed to approximately 86.3% of the total retail sales of leisure food in Hong Kong while the remaining market share is contributed by sales in department stores. From 2018 onward, the market size of leisure food products in Hong Kong is expected to grow steadily at a CAGR of approximately 3.2%, reaching approximately HK\$13.3 billion by 2022.

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Market Size of Leisure Food Products in Hong Kong, 2013-2022E



Breakdown by Types of Retail Channels, 2017



Market size in 2017: Approximately HK\$11.5 billion

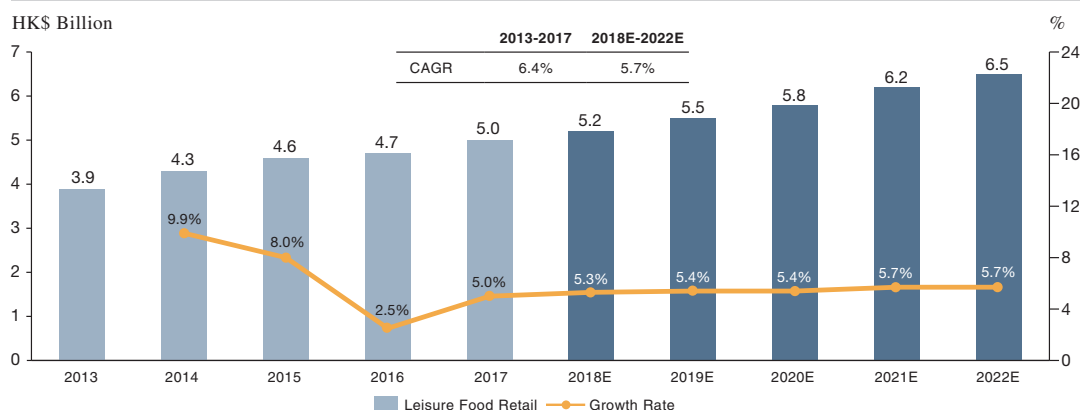
Note: The above market size included retail sales of pastry, confectionery, biscuits, rice, noodles, rice sticks, other leisure food and non-alcoholic beverages sold in all kinds of retail outlets including leisure food retail stores, supermarkets as well as supermarket and non-supermarket sections in department stores.

Source: Frost & Sullivan

Total Sales Revenue of Leisure Food Retailers in Hong Kong

In 2017, leisure food retailers contributed about 43.4% of the total retail sales of leisure food products in Hong Kong. Driven by the ever-changing consumer tastes and preference where the total retail sales of leisure food retailers in Hong Kong rose from approximately HK\$3.9 billion in 2013 to approximately HK\$5.0 billion in 2017, growing at a CAGR of approximately 6.4% over the past five years. The leisure food retail market in Hong Kong is expected to grow steadily at a CAGR of approximately 5.7%, reaching approximately HK\$6.5 billion by the end of 2022.

Total Sales Revenue of Leisure Food Retailers (Hong Kong), 2013-2022E



Note: The above market size included retail sales of pastry, confectionery, biscuits, rice, noodles, rice sticks, other leisure food and non-alcoholic beverages sold in leisure food retail stores.

Source: Frost & Sullivan

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Analysis on Cost Factor affecting the Retail Market

Labour Cost

Due to the implementation and periodic adjustments of statutory minimum wage policy since 2011, fuelled by the shortage in labour supply faced by the local services industry, the level of wages in Hong Kong has hiked since then. Between 2013 and 2017, the average monthly salaries of all occupations in the retail industry in Hong Kong has increased from approximately HK\$16,403 per month in 2013 to approximately HK\$18,007 per month in 2017 with a CAGR of approximately 2.4%.

Import Price Index

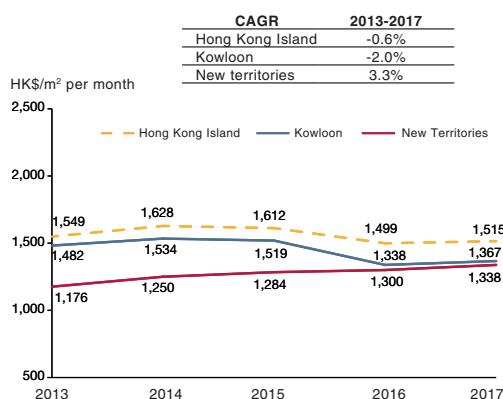
The import price index for foodstuff in Hong Kong has been stably growing at a CAGR of approximately 0.9% from 2013 to 2017 despite it experienced a slight drop in 2016, which was partly affected by the decreased global food price during the same period. This is also likely to be affected by the depreciation of currencies in the PRC and Brazil, which are the two major food and beverage (mainly meat products, leisure food and confectioneries) supplying countries to Hong Kong between 2015 and 2016.

Rental Cost

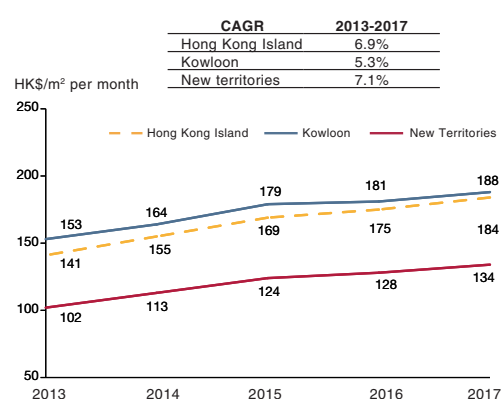
The rental prices of private retail in New Territories has jumped at a CAGR of 3.3% from 2013 to 2017, laying pressure on retail businesses and restricting their profit margins. However, rental prices in Hong Kong Island and Kowloon have decreased at a CAGR of 0.6% and 2.0% in the same period. The fluctuation in private retail rental prices is primarily due to the luxury retail market decline in Hong Kong and the change in tourism behaviour, in particular drop in the number of visitors from the PRC. PRC tourists currently spend more on daily necessities rather than luxury goods, leading to a major drop in retail sales in major luxury goods shopping area in Hong Kong Island and Kowloon.

On the other hand, average rents of flatted factories in Hong Kong Island, which are usually used for warehouses, has increased rapidly between 2013 and 2017. In particular, rents in New Territories have increased the most rapidly at a CAGR of approximately 7.1% compared to that of Kowloon (5.3%) and Hong Kong Island (6.9%).

Average rental of private retail in Hong Kong, 2013-2017



Average rental of flatted factories in Hong Kong, 2013-2017



Source: Census and Statistics Department of Hong Kong, Frost & Sullivan

Market Driver

Growing exposure to global leisure food products

Leisure food products from overseas were unfamiliar to consumers in Hong Kong about ten years ago as they could only access to the products when travelling overseas and purchase limited amount to return to Hong Kong. However, the boom of social media and e-commerce during the past decade influenced consumers drastically. Consumers are gaining access to information of popular leisure food

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items in countries such as Japan, Korea and the United States and demanding for these products in Hong Kong. Therefore, the demand for foreign leisure food products have driven leisure food retail market in Hong Kong to expand quickly with new players setting up retail stores to sell foreign leisure food products.

Chinese tourists driving leisure food market growth

The overall retail market in Hong Kong was driven by tourists from the PRC in their significant expenditure on luxury goods in Hong Kong. However, in recent years, their purchasing behavior have shifted from luxury goods to daily household and food products in Hong Kong due to their confidence in the strict policies enforced in ensuring the quality and safety of products being sold in Hong Kong. With arising food safety concerns in the PRC, leisure food retailers are benefitted as mainland tourists would visit these stores to purchase large sum of products and to bring it back to the PRC for their consumption. While the growth in luxury retail market experienced declination in recent years, the leisure food retail market in Hong Kong continued to grow steadily during the past few years.

Local consumer demands for leisure food products

As the household income level continues to grow in Hong Kong, the average monthly household expenditure on food and beverages is expected to grow to approximately HK\$9,712.0 by 2022 at a CAGR of approximately 3.7% from 2015 to 2022. Consumers' desire to improve their quality of life increased and their standard for food also rises accordingly. The easier access of information on a variety of leisure food products leads consumers in Hong Kong to have a rising knowledge of various leisure foods around the world hence stimulating the demand for trying various leisure food products.

Market Trend

Increasing health consciousness

With the rising health consciousness of consumers in Hong Kong, more emphasis is placed on the health benefits of leisure food where customers are more aware of the nutritional value of food. Customers generally are more cautious about the possible negative effect of non-organic additives in leisure food and therefore are turning into products that have lesser unhealthy food additives, flavours, artificial colorants etc.

Diversified packaging

The diversification in packaging of leisure food products including pack food in different sizes which would be more hygienic or in travel packs which are special edition. These packaging diversifications will cater different groups of consumers with various preferences. For example, some consumers would prefer smaller packages with less portion of food but are often offered at a more attractive price, while some consumers would prefer packages which can be re-zip for future consumption.

Development of big data

Some leisure food retailers in Hong Kong have established loyalty programs for their customers, for better understanding of the purchasing behaviour from their customers, and also able to collect useful data to analyse the need of leisure food products demanded by customers groups. Attaining such data will allow leisure food retailers in Hong Kong to adjust sales strategies towards specific target market, to effectively respond to market demand and to retain their customers to make more purchases.

Future Opportunities and Challenges

Partnership with foreign brands and provision of exclusive products

Market players in the leisure food retail market in Hong Kong may seek possible opportunities to cooperate with foreign brands. The partnership between local leisure food retailers and foreign brands helps fostering products diversification and attracts new customers. Leisure food retailers may also launch exclusive food products to differentiate themselves and strengthen their market position among the industry players in Hong Kong.

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Digital exposure

Branding digitally is becoming increasingly important for leisure food retailers to promote their brand to the consumers. Implementing a good marketing strategy through popular social media channels allow consumers and leisure food retailers to establish direct communication, creating relevancy between the brand and its consumers. Moreover, effectively managing consumer feedbacks on social media will also benefit the brand to generate positive impression on the consumers, strengthening their brand image publically, in which leading consumers to appreciate the brand furthermore and to trust that the brand to provide well-recognised leisure food products.

Diversification of product offering

Hong Kong as an international city has a relatively high exposure and product knowledge to leisure food globally. There is a huge advantage for businesses which have a high diversification of product offerings which enables them to capture and cater the variety and often changing consumer preferences to leisure food. The diversification will also lessen the business risk as the retailers can alter their stocks according to consumer demand.

Intensifying market competition

The demand for leisure food products of consumers in Hong Kong will attract more market entrants and intensify the competition. New players may implement new business model to fill the gaps amongst the current market players and to fulfill customer needs. New market entrants may also impose threats on current players in using new digital technologies online to expand their exposure to consumers in Hong Kong. Moreover, the industry may also face more competition from local supermarkets should they also sell foreign leisure food products at their outlets.

Identifying consumers' preferences

Having the market sensitivity in understanding consumers' leisure food preferences will be challenging to leisure food retailers in Hong Kong. As the taste and preferences of the consumers are constantly changing, market players must be diligent in learning consumer preferences in order to replenish the demand of leisure food products to fulfill the market needs and to meet the customers' expectations.

High demand for retail stores of competitive location

One major business challenge for retailers in Hong Kong is to identify a suitable location to open up a new store where the store can attract their target customer to visit and make purchases. While the rental cost in crowded and populated areas are generally high, it is important for retailers to secure a new location which will generate sales amount while operating at a manageable cost. As the demand for retail space at prime areas is usually high among retailers and the supply is limited, it tends to be more difficult for retailers to secure a rental at a desirable price.

Ability to source high quality overseas products

Market players must be active in exploring leisure food products overseas while developing strategic plans to enrich their product selection. Therefore, leisure food retailers must establish sound business relationship with overseas partners in order to achieve effective sourcing of quality products at a competitive price. In addition, market players must also effectively manage their transportation and logistics costs, so as to control the overall purchase costs.

COMPETITIVE LANDSCAPE OF LEISURE FOOD RETAIL MARKET IN HONG KONG

Overview of Competitive Landscape

Ranking

As of 31 March 2018, there are seven chained leisure food retailers in Hong Kong that operate at 20 or more leisure food retail stores in Hong Kong. The aggregate revenue from the top seven leisure food retailers accounted for approximately 87.6% market share of the total leisure food retail market in Hong Kong as at 31 March 2018. Among the top seven retailers, Company A has an estimated retail revenue of approximately HK\$1,983.7 million, accounted for approximately 39.7% of the market share

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followed by our Group, accounted for approximately 21.6% market share with HK\$1,075.9 million. Our Group has the highest retail revenue per store with approximately HK\$15.4 million, followed by Company B with approximately HK\$12.4 million per store.

Ranking	Retailers	Founded	Number of Stores in Hong Kong, 2018	Estimated Retail Revenue HK\$ Million, 2018 ^(Note)	Estimated Retail Revenue Per Store HK\$ Million, 2018	Estimated Market Share, 2018
1	Company A	2010	220	1,983.7	9.0	39.7%
2	Our Group	2013	70	1,075.9	15.4	21.6%
3	Company B	1998	29	360.2	12.4	7.2%
4	Company C	1999	43	312.3	7.3	6.3%
5	Company D	1997	38	255.8	6.7	5.1%
6	Company E	2014	37	239.1	6.5	4.8%
7	Company F	2013	23	144.2	6.3	2.9%
<i>Estimated retail revenue of top 7 companies:</i>				4,368.2		87.6%

Retailers	Major types of products sold
Company A	Frozen food, alcohol beverages, household products, kitchenware and personal care products sourced from Japan, the PRC, Korea, Taiwan and Europe
Company B	Confectionary, bakery products, preserved fruits sourced from USA, Japan, the PRC, Vietnam and Europe
Company C	Frozen meat, imported packaged food products, grain products, non-alcoholic and alcoholic beverages, confectionary, household products sourced from Japan and the PRC
Company D	Confectionary, bakery products, preserved fruits, baby food products sourced from Japan, Korea and China
Company E	Confectionary, bakery products, chips and crisps sourced from Japan, Korea and the PRC
Company F	Imported packaged food products, confectionary, non-alcoholic and alcoholic beverages, preserved fruits, household products sourced from Korea, Thailand, USA and Japan

Note: The total revenue of our Group for the year ended 31 March 2018 was used in the above table. The retail revenue of the other top six leisure food retailers for the year ended 31 March 2018 was based on the estimation of Frost & Sullivan.

Source: Frost & Sullivan

Success Factors

Brand reputation

Strong branding is a crucial factor to succeed in the leisure food retail market in Hong Kong. Leisure food retailers must be able to communicate to their target market as consumers are highly affected by the image that the brand creates and affecting their decision of which leisure food retailers to shop from.

Competitive pricings

The ability to create and maintain a higher profit margin will drive leisure food retailers to succeed in Hong Kong. Given the high operating cost in retail stores' rental and employees' salary, leisure food retailers that possess different procurement channels are able to purchase leisure food products at an attractive rate, which will allow them to provide a more competitive pricing and lead to an increase of profit margin.

Product variety

Having an extensive variety of leisure food products will allow leisure food retailers to become successful in Hong Kong. Consumers tend to return to stores where they are given many choices to satisfy their recurring demand and also to fulfill their desire to try new leisure food products.

Entry Barrier Analysis

Initial capital investment

The initial capital investment to enter the leisure food retail market in Hong Kong is relatively high. New market entrants must be able to acquire sufficient funds to pay for their rent and the decoration

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of the retail store, to pay off the order of leisure food products from suppliers and also to cover labour costs. With the rising cost in retail rentals and labour, the capital investment encounter a rising trend, acting as a higher barrier to entry for new market entrants.

Establishing supplier network

Current players in the leisure food retail market in Hong Kong have developed stable relationship with suppliers from overseas in which allow the retailers to order new products to be delivered to Hong Kong with a short turnover period. New market entrants will need time to establish relationship with suppliers in order to ensure of having sufficient amount of leisure food product to be sold in their store. With the well-established supplier network, companies may also be able to obtain goods in a lower price, gaining a higher competitive advantage to new entrants.

Recognition from brand reputation and loyal customers

The leisure food retail market heavily relies on repeat and loyal customers to remain competitive and achieve a stable business within the industry. It is therefore important to build a sound and unique brand image and reputation to attract new customers and to retain existing customers. This will help the leisure food retailers to understand their target market, hence to increase the number of transactions. New entrants of the leisure food retail market in Hong Kong may find it difficult to build a high-profile brand among a number of existing market players within the industry, which act as an entry barrier for new entrants.

Competitive Advantages of our Group

Strong and stable relationship with suppliers

Our Group has formed strong relationship and stable connection with various overseas suppliers such as the United States, Europe and Southeast Asia, allowing our Group to maintain stable supply of their food products but also allow them to procure foreign leisure food products to consumers which may not be available at competitors' store. Thus, our Group is constantly working to establish new relationship with new suppliers to maintain our Group's competency in expanding their product portfolio and turning our Group as one of the leading leisure food retailers in Hong Kong with the most diverse product offerings, including chocolate products, nuts, dried food products, packaged bakery and cereal products. Moreover, our Group is also one of the leading leisure food retailers to import leisure food products from overseas.

Product selected matches the market trend

Local customers can easily access to information about latest food product launch in different regions under the prevalence of social media nowadays. Our Group has been fully aware of the market trend and the popularity of different food products. By positioning as a leading leisure food retailer in Hong Kong, Our Group is able to procure a wide range of trendy, popular and distinctive leisure food products with their suppliers at a competitive price so as to offer to customers to fulfill their demand. Our Group's ability to identify market trends in the leisure food market has led to the increasing customer visits and transactions with the wide range of leisure food products available.

Establishment of store branches in prime areas

Our Group has a well-recognised brand positioning within the leisure food retail market with strong presence in prime residential, commercial districts and industrial areas in Hong Kong which are easily accessed by our Group's target customers including students, office workers, tourists and residential clients etc. Therefore, our Group can enjoy increased customers' visits and broader customer base, which also amplifies its brand reputation among the public. It also allows our Group to build a direct relationship with customers, hence identifies and responds to customers' needs and current market information.

Strict product procurement process

Our Group's product procurement team is selective in the process of sourcing leisure food products from overseas. Our Group procures leisure food products with well-recognised overseas brands that are trusted by consumers in Hong Kong. Moreover, during the procurement process, our Group select leisure food products that have undergone strict quality control during the manufacturing process to ensure the quality and safety of the products.

REGULATORY OVERVIEW

The following sets out a summary of certain aspects of Hong Kong laws and regulations which are relevant to our Group's business operations in Hong Kong.

(A) Laws and regulations in relation to food safety

1. *Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong)*

The legal framework for food safety control in Hong Kong is set out in Part V of the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) (“**PHMSO**”) and the relevant sub-legislations thereunder. The PHMSO requires the manufacturers and sellers of food to ensure that their products are fit for human consumption and comply with the requirements in respect of food safety, food standards and labelling.

As the business of our Group involves the retail sale of grocery products including food and beverages in Hong Kong, we are subject to the regulations of the PHMSO.

Section 50 of the PHMSO prohibits the manufacture, advertising and sale in Hong Kong of food that is injurious to health. Anyone who contravenes this section commits an offence and is liable to a level 3 fine of HK\$10,000 and imprisonment for 3 months. Section 52 provides that, subject to the defences in section 53 of PHMSO, if a seller sells to the prejudice of a purchaser any food which is not of the nature, substance, or quality of the food demanded by the purchaser, the seller shall be guilty of an offence which carries a penalty of level 3 fine of HK\$10,000 and imprisonment for 3 months.

According to section 54, any person who sells or offers for sale any food intended for, but unfit for, human consumption, shall be guilty of an offence which carries a penalty of level 5 fine of HK\$50,000 and imprisonment for 6 months.

Section 61 of the PHMSO provides that it shall be an offence for any person who gives with any food sold by him or displays with any food exposed for sale by him any label which falsely describes the food or is calculated to mislead as to its nature, substance or quality, unless he proves that he did not know, and could not with reasonable diligence have ascertained, that the label was of such a character as aforesaid. Further, it shall also be an offence if any person publishes or is party to the publication of an advertisement falsely describing any food or is likely to mislead as to the nature, substance or quality of any food. The penalty of an offence under section 61 is a level 5 fine of HK\$50,000 and imprisonment for 6 months.

The FEHD is responsible for the enforcement of the relevant laws and regulations. It may take samples of all kinds of food products at their point of entry to Hong Kong and may prohibit or restrict importation of a food product. It also has the power under section 59 of the PHMSO to examine any food which is, or which appears to be, intended for human consumption, and seize and remove such food or its packaging if appears that such food is unfit for human consumption.

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2. *Food and Drugs (Composition and Labelling) Regulations (Chapter 132W of the Laws of Hong Kong)*

Food and Drugs (Composition and Labelling) Regulations (Chapter 132W of the Laws of Hong Kong) (“**FDCLR**”), which is under the PHMSO, regulates the advertising and labelling of food.

Regulation 3 of the FDCLR provides that the manufacturing of food shall be up to the standards as specified in Schedule 1. Any person who advertises for sale, sells or manufactures for sale any food which does not conform to the relevant requirements as to composition prescribed in Schedule 1 commits an offence and is liable to a level 5 fine of HK\$50,000 and imprisonment for 6 months.

Regulation 4A requires that prepackaged food (except for those listed in Schedule 4) be marked and labelled in the manner as prescribed in Schedule 3. Schedule 3 to the FDCLR contains labelling requirements in relation to prepackaged food including:

- (i) the food name or designation;
- (ii) the list of ingredients;
- (iii) durability indication, i.e. “best before” or “use by” date;
- (iv) statement of special conditions for storage or instructions for use;
- (v) name and address of manufacturer or packer;
- (vi) count, weight or volume; and
- (vii) language requirement, i.e. the marking or labelling of prepackaged food shall be in either English or Chinese or in both languages.

Regulation 4B further requires that prepackaged food be marked and labelled with its energy value and nutrient content in the manner prescribed in Part 1 of Schedule 5, and nutrient claims, if any, made on the label of or in any advertisement for a prepackaged food should comply with part 2 of Schedule 5.

Contravention of Regulation 4A and 4B of the FDCLR is an offence which carries a penalty of level 5 fine of HK\$50,000 and imprisonment for 6 months.

3. *Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong)*

The purposes of the Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong) (“**FSO**”) are, among other things, to establish a registration scheme for food importers and food distributors; to require the keeping of records by persons who acquire, capture, import or supply food; and to enable food import controls to be imposed.

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Food importers and food distributors who carry on a food importation business or food distribution business are required to register their businesses with FEHD. A “food importer” means a person who carries on a business which brings or causes to be brought any food into Hong Kong by air, land or water. Sections 4 and 5 of the FSO provide that contravention of such registration requirement is an offence and is liable to a level 5 fine of HK\$50,000 and imprisonment for 6 months.

Under section 8 of the FSO, an application for registration may be refused if the applicant has repeatedly contravened the FSO in the period of 12 months immediately preceding the date of application, or if the applicant was previously registered in respect of the business and such registration was revoked in the period of 12 months immediately preceding the date of application. FEHD may also revoke a registration under section 14 if the registered person has repeatedly contravened the FSO in the previous 12 months, or if the registered person (in the case of a natural person) has died or (in the case of a corporation) has been wound up.

FEHD implemented a Demerit Point System in order to provide a more objective ground to exercise its power to revoke a registration under section 14 of the FSO. The Demerit Point System provides that, if a registered food importer or food distributor is convicted of any offence under the FSO in respect of his business, a specified number of demerit points will be assigned and entered against his registration. Upon conviction of the offences, these points will be recorded according to the date of the offence and not the date of conviction. The specified demerit points for a particular offence will be doubled, trebled and quadrupled respectively if the same offence is committed for the second, the third and the fourth time within a period of 12 months. If the registered food importer or food distributor accumulates 20 points or more within a period of 12 months, his registration may be revoked.

Sections 21 to 24 of the FSO requires that any person who, in the course of business, imports, acquires, or supplies by wholesale food in Hong Kong to keep record of their transactions. Essentially, the record must at least contain: (i) the date the food was acquired, imported or supplied; (ii) the name and contact details of the person from whom the food was acquired or imported, or to whom the food was supplied; (iii) the place from where the food was imported (in the case of importation); (iv) the total quantity of the food; and (v) a description of the food.

Section 26 of the FSO provides that the record for food with shelf-life of 3 months or less must be kept for 3 months, while record for food with shelf-life of greater than 3 months must be kept for 24 months. Under sections 27 and 28, FEHD may inspect such record, use such record or any information contained in such record for the purpose of exercising powers or performing functions under the FSO, or disclose to the public any information contained in such record if FEHD is satisfied that public disclosure of the information is necessary for the protection of public health. Contravention with such sections is an offence and is liable to a level 3 fine of HK\$10,000 and imprisonment for 3 months.

Our Group is registered as a food importer and a food distributor under the registration scheme, and is therefore subject to the relevant regulations of the FSO.

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(B) Laws and regulations in relation to Retail Business

1. Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (“**TDO**”) aims to prohibit false trade description, false, misleading or incomplete information, false marks and misstatements in respect of goods and services provided in the course of trade. The definition of trade description under section 2 of TDO covers a broad range of matters including but not limited to: quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognised by any person, price, approval by any person, a person by whom they have been acquired, the goods being of same kind as goods supplied to a person, place or date of manufacture, etc. Section 2 also provides that a trade description which is false to a material degree or which, though not false, is misleading, that is to say, likely to be taken for a trade description of a kind that would be false to a material degree, would be regarded as a false trade description.

Section 7 of TDO provides that it is an offence for any person who, in the course of any trade or business, applies a false trade description to any goods or supplies or offer to supply any goods to which a false description is applied. Section 7A provides that it is an offence for a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer, or supplies or offers to supply to a consumer a service to which a false trade description is applied. Section 12 further prohibits any person from importing or exporting any goods to which a false trade description or forged trade mark is applied.

Sections 13E, 13F, 13G, 13H and 13I of TDO provide that a trader commits an offence if the trader engages, in relation to a consumer, in a commercial practice that is a misleading omission, or is aggressive, or constitutes bait advertising, or constitutes a bait and switch, or wrongly accepting payment for a product.

Any person who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I shall be liable, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years, and on summary conviction, to a level 6 fine of HK\$100,000 and imprisonment for 2 years. However, sections 30L and 30M provides that an officer authorised by the Commissioner of Customs and Excise may, with the consent in writing of the Secretary for Justice, accept a written undertaking from businesses or individuals not to continue, repeat or engage in conduct that constitutes an offence under the TDO, and on the acceptance of such undertaking, neither the Commissioner of Customs and Excise nor the authorised officer may commence or continue an investigation or proceedings relating to the matter to which the undertaking relates.

2. Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) governs the formation, performance and remedies of contract for the sale of goods in Hong Kong and the transfer of title of goods sold. The ordinance also sets out certain implied terms or conditions and warranties generally relating to the safety and suitability of goods supplied under a contract of sale for goods in Hong Kong, including:

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- (i) where there is a sale of goods by description, the goods shall correspond with the description;
- (ii) where the seller sells goods in the course of a business, the goods shall be of a merchantable quality, i.e. (a) as fit for the purpose or purposes for which the goods of that kind are commonly bought; (b) of such standard of appearance and finish; (c) as free from defects (including minor defects); (d) as safe; and (e) as durable, as it is reasonable to expect having regard to any description applied to them, the price (if relevant) and all the other relevant circumstances;
- (iii) where the seller sells goods in the course of a business and the buyer makes known to the seller (whether expressly or by implication) any particular purpose for which the goods are being bought, the goods supplied under the contract shall be reasonably fit for that purpose.

Under section 55 of the Sale of Goods Ordinance, where there is a breach of warranty by the seller, the buyer is not, by reason only of such breach of warranty, entitled to reject the goods, but he may set up against the seller the breach of warranty in diminution or extinction of the price, or maintain an action against the seller for damages for the breach of warranty.

3. *Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong)*

The Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) (“CGSO”) imposes a duty on manufacturers, importers and suppliers of consumer goods (i.e. goods which are ordinarily supplied for private use or consumption) to ensure that the consumer goods they supplied are safe.

Under section 6 of CGSO, a person shall not supply, manufacture or import into Hong Kong consumer goods, unless the consumer goods comply with the general safety requirement as provided under the ordinance or with the applicable safety standard(s) or safety specification(s) as approved by the Secretary for Commerce and Economic Development for the particular consumer goods. A person who contravenes section 6 commits an offence and is liable (i) on first conviction, to a level 6 fine of HK\$100,000 and imprisonment for 1 year; (ii) on subsequent convictions, to a fine of HK\$500,000 and to imprisonment for 2 years; and (iii) where the offence is a continuing offence, in addition to the fine specified in (i) and (ii), the person shall be liable to a fine of HK\$1,000 for each day the offence continued.

Where the Commissioner of Customs and Excise reasonably believes that the consumer goods is non-compliant with the approved standard or a safety standard or safety specification established by regulation, the Commissioner is empowered under CGSO to (i) serve a prohibition notice prohibiting a person from supplying those consumer goods for a specified period not exceeding 6 months; and (ii) serve a recall notice requiring the immediate withdrawal of any consumer goods if there is a significant risk that the consumer goods will cause a serious injury and do not comply with the approved standard or a safety standard or safety specification established by regulation. Any person who is served with a notice and fails or refuses to comply with the notice commits an offence and is liable (i) on first conviction, to a level 6 fine of HK\$100,000 and imprisonment for 1 year; (ii) on subsequent convictions, to a fine of HK\$500,000 and to imprisonment for 2 years; and (iii) where the offence is a continuing offence, in addition to the fine specified in (i) and (ii), the person shall be liable to a fine of HK\$1,000 for each day the offence continued.

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4. *Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong)*

The Dutiable Commodities (Amendment) Ordinance 2018 (10 of 2018) came into operation on 30 November 2018, which amended the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong) and the Dutiable Commodities (Liquor) Regulations (“**DCLR**”) (Chapter 109 sub. leg. B of the Laws of Hong Kong), with an effect that, under regulation 37(1) of DCLR, a person must not, in the course of business, sell or supply intoxicating liquor to a minor. Regulation 37(4) further provides that, if a person sells a product that is not intoxicating liquor but that is accompanied by intoxicating liquor as a gift, the person supplies the liquor. Any person who contravenes regulation 37(1) commits an offence and is liable on summary conviction to a level 5 fine of HK\$50,000.

Further, under regulation 38(2) of DCLR, if a person is charged with an offence under regulation 37 in relation to a face-to-face distribution, it is a defence for that person to establish that, before the intoxicating liquor was sold or supplied, that person (i) has inspected a proof of identity purporting to be the proof of identity of the purchaser or the recipient of the liquor; and (ii) reasonably satisfied himself or herself, because of the inspection, that the purchaser or the recipient was not a minor. Under regulation 38(3) of DCLR, if a person is charged because of another person’s act, it is a defence for the defendant to establish that, before the intoxicating liquor was sold or supplied, the defendant had taken reasonable measures to prevent intoxicating liquor from being sold or supplied by that other person in the course of business to a minor in a face-to-face distribution.

Under regulation 39(2) of DCLR, if a person is charged with an offence under regulation 37 in relation to a remote distribution, it is a defence for that person to establish that, before the intoxicating liquor was sold or supplied, (i) that person received a declaration to the effect that the purchaser or recipient of the liquor had reached the age of 18 years; and (ii) there was no circumstance that caused the person to reasonably suspect that the declaration was false. Under regulation 39(3) of DCLR, if a person is charged because of another person’s act, it is a defence for the defendant to establish that, before the intoxicating liquor was sold or supplied, the defendant had taken reasonable measures to prevent intoxicating liquor from being sold or supplied by that other person in the course of business to a minor in a remote distribution.

Under regulation 40 of DCLR, a person charged with an offence under regulation 37 is taken to have established a fact that needs to be established for a defence under regulation 38 or 39 if (i) there is sufficient evidence to raise an issue with respect to the fact; and (ii) the contrary is not proved by the prosecution beyond reasonable doubt.

Under regulation 41 of DCLR, a person who, in the course of business, (a) sells or supplies intoxicating liquor in a face-to-face distribution at a place; or (b) offers to do so, must ensure a sign containing both the Chinese version and English version of the prescribed notice is displayed at a prominent position at the place. The prescribed notice must be rectangular in shape with sides of at least 38 cm in length and 20 cm in width, be in plain and readily legible characters and letters, and be set out in characters and letters of a colour that contrasts with the background on which they appear. According to the Schedule of DCLR, the prescribed content of the notice are “Under the law of Hong Kong, intoxicating liquor must not be sold or supplied to a minor in the course of business” and “根據香港法律，不得在業務過程中，向未成年人售賣或供應令人醺醉的酒類”。 A person who contravenes regulation 41 commits an offence and is liable on summary conviction to a level 4 fine of HK\$25,000.

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5. *Pesticides Ordinance (Chapter 133 of the Laws of Hong Kong) and Pesticides Regulations (Chapter 133A of the Laws of Hong Kong)*

Under section 7 of the Pesticides Ordinance (Chapter 133 of the Laws of Hong Kong), no person shall import or caused to be imported into Hong Kong, manufacture, sell or offer or expose for sale, or supply or offer to supply any registered pesticide save under and in accordance with a licence. The Director of Agriculture, Fisheries and Conservation maintain a register of pesticides in which Part I contains a list of all pesticides which are in a form ready for immediate use without going through any treatment or process and which are for general domestic use, and Part II contain a list of all other pesticides. Any person who contravenes section 7 commits an offence and is liable on conviction to a level 5 fine of HK\$50,000 and imprisonment for 1 year. Further, any holder of a licence who contravenes any of the conditions of his licence commits an offence and is liable on conviction to a level 4 fine of HK\$25,000 and imprisonment for 6 months.

Application for licence shall be made in accordance with the Pesticides Regulations (Chapter 133A of the Laws of Hong Kong). The Pesticides Regulations further provides that, a licensee shall not sell or expose for sale or supply, either by retail or in a form ready for sale or supply by retail, any registered pesticide unless there appears on the container and on every box or other covering of the container, in a conspicuous position, a label in both English and Chinese setting forth clearly and distinctly and not in any way obscured or obliterated, certain required information of the pesticide, including but not limited to, the word “Poison” and the characters “毒藥”, the expression “Keep out of reach of children” and the characters “遠離孩童”, the registration number of the pesticide, the trade name, chemical name and common name of the pesticide, the composition by percentage of all active ingredients, the net weight etc. Any person who contravenes such requirement commits an offence and is liable on conviction to a level 1 fine of HK\$2,000 and imprisonment for 6 months.

Our Company has obtained an import/supply licence for Part I registered pesticides and a retail licence for Part I registered pesticides, details of which are set out in the section headed “Business – Licence and Registrations” in this prospectus.

6. *Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)*

The purpose of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (“PDPO”) is to protect the privacy of individuals in relation to personal data. Personal data is defined in section 2 of the ordinance as any data (i) relating directly or indirectly to a living individual; (ii) from which it is practicable for the identity of the individual to be directly or indirectly ascertained; and (iii) in a form in which access to or processing of the data is practicable. The PDPO regulates the conduct of a data user, i.e. a person who, either alone or jointly or in common with other persons, controls the collection, holding, processing or use of the personal data.

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The PDPO sets out six data protection principles which all data user need to comply with, namely:

- Principle 1 – Purpose and manner of collection:
Personal data should be collected by means which are lawful and fair, and should be collected for a lawful purpose directly related to a function or activity of the data user. The data collected should be necessary, adequate but not excessive. The data subject should be informed of the purpose and the classes of persons to whom the data may be transferred.
- Principle 2 – Accuracy and duration of retention:
Practicable steps shall be taken to ensure that the personal data is accurate and is not kept longer than is necessary.
- Principle 3 – Use of personal data:
Unless consent of the data subject is obtained, personal data must only be used for the purpose for which the data is collected or for a directly related purpose.
- Principle 4 – Security of personal data:
Practicable steps shall be taken to ensure that the personal data held by a data user are protected against unauthorised or accidental access, processing, erasure, loss or use.
- Principle 5 – Information to be generally available:
Practicable steps shall be taken to ensure that personal data policies and practices are generally available to the public regarding the types of personal data it holds and the main purposes for which the personal data is used.
- Principle 6 – Access to personal data:
Data subjects must be given access to their personal data and be allowed to mark corrections of their personal data.

Under section 38 of PDPO, the Privacy Commissioner for Personal Data may carry out an investigation against a data user if he receives a complaint or has reasonable ground to believe that the data user has done an act or practice or engaged in an act or practice in relation to personal data that may be a contravention of a requirement of the ordinance. The Commissioner may then issue an enforcement notice under section 50 following an investigation to direct the data user to remedy the contravention and/or prevent any recurrence of the contravention. A data user who contravenes such enforcement notice commits an offence and is liable, on first conviction, to a level 5 fine of HK\$50,000 and imprisonment for 2 years.

As we would collect the personal information e.g. name, email address and telephone number of our customers who joined our membership scheme, our Group is a data user pursuant to the PDPO and is subject to the principles as set out above. In this regard, our Group has established internal guidelines to ensure compliance with the PDPO.

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7. *Competition Ordinance (Chapter 619 of the Laws of Hong Kong)*

The purposes of the Competition Ordinance (Chapter 619 of the Laws of Hong Kong) (“**Competition Ordinance**”) are to, among others, prohibit conduct that prevents, restricts or distorts competition in Hong Kong, and prohibit mergers that substantially lessen competition in Hong Kong. There are three competition rules under the Competition Ordinance, namely, the First Conduct Rule, the Second Conduct Rule and the Merger Rule.

The First Conduct Rule prohibits anti-competitive agreements if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. The Second Conduct Rule prohibits abuse of market power if the object or effect of the conduct is to prevent, restrict or distort competition in Hong Kong. The Merger Rule prohibits anti-competitive mergers and acquisitions, and currently only applies to mergers involving carrier licence holders within the meaning of the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

Penalties for infringement of the First Conduct Rule and the Second Conduct Rule that may be imposed by the Competition Tribunal includes pecuniary penalty that may amount to 10% of the turnover of the companies concerned for up to 3 years in which the contravention occurs (section 93), disqualification order against a director (section 101) and prohibition order (section 151A) etc.

Further, pursuant to section 67 of the Competition Ordinance, if the Competition Commissioner has reasonable cause to believe that (i) a contravention of the First Conduct Rule has occurred and the contravention involves serious anti-competitive conduct; or (ii) a contravention of the Second Conduct Rule has occurred, the Commissioner may, instead of commencing proceedings, issue an infringement notice to the person against whom it proposes to bring proceedings, offering not to bring those proceedings on the condition that the person makes a commitment to comply with the requirements of the notice. Pursuant to section 68, such person is not obliged to make a commitment to comply with the requirements of the infringement notice, but if he does not make the commitment within the compliance period, the Competition Commissioner may bring proceedings against that person in the Competition Tribunal in relation to the alleged contravention of the conduct rule.

(C) **Laws and regulations in relation to parallel importation**

1. *Copyright Ordinance (Chapter 528 of the Laws of Hong Kong)*

Section 30 of the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) (“**Copyright Ordinance**”) provides that the copyright in a work is infringed by a person who, without the licence of the copyright owner, imports into Hong Kong or exports from Hong Kong, otherwise than for his private or domestic use, a copy of the work which is, and which he knows or has reason to believe to be, an infringing copy of the work.

Further, section 31 of the Copyright Ordinance provides that the copyright in a work is infringed by a person who, without the licence of the copyright owner:

- (i) possesses for the purpose of or in the course of any trade or business;

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- (ii) sells or lets for hire, or offers or exposes for sale or hire;
- (iii) exhibits in public or distributes for the purpose of or in the course of any trade or business; or
- (iv) distributes (otherwise than for the purpose of or in the course of any trade or business) to such an extent as to affect prejudicially the owner of the copyright,

a copy of the work which is, and which he knows or has reason to believe to be, an infringing copy of the work.

According to section 35(2) of the Copyright Ordinance, a copy of a work is an infringing copy if its making constituted an infringement of the copyright of the work in question. However, section 35(4) provides that, in respect of the criminal provisions (i.e. sections 118 to 133), “infringing copy” does not include a copy of a work (a) that was lawfully made in the country, territory or area where it was made; (b) that has been or is proposed to be imported into Hong Kong any time after the expiration of 15 months beginning on the first day of publication of the work in Hong Kong or elsewhere; and (c) its making in Hong Kong would have constituted an infringement of the copyright in the work in question, or a breach of an exclusive licence agreement relating to that work.

Section 35(5) also provides that, in respect of the provisions on proceedings relating to importation of infringing articles (i.e. Division VII of the Copyright Ordinance), “infringing copy” does not include a copy of a work or a copy of an accessory work (a) that was lawfully made in the country, territory or area where it was made; (b) that has been or is proposed to be imported into Hong Kong; and (c) its making in Hong Kong would have constituted an infringement of the copyright in the work in question, or a breach of an exclusive licence agreement relating to that work.

2. Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong)

The Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) (“TMO”) provides for the registration of trade marks, the use of registered trade marks and connected matters. Hong Kong provides territorial protection for trade marks. Hence, trade marks registered with trade marks registries of other countries or regions do not automatically receive protection in Hong Kong. In order to obtain protection as registered trade marks in Hong Kong, trade marks must be registered under TMO and the Trade Marks Rules (Chapter 559A of the Laws of Hong Kong).

According to section 10 of TMO, a registered trade mark is a property right obtained by registration under the ordinance, and the owner of a registered trade mark has the rights and is entitled to the remedies provided by the ordinance. Section 14 further provides that the owner of a registered trade mark has exclusive rights in the trade mark which are infringed by use of the trade mark in Hong Kong without his consent.

Our Group is the registered owner of the trade marks as set out in “Other Information – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

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Conducts which amount to infringement of a registered trade mark are set out in section 18 of TMO, which include, among others, the use in the course of trade or business a sign which is identical to the trade mark in relation to goods or services which are identical to those for which it is registered, and the use in the course of trade or business a sign which is identical to the trade mark in relation to goods or services which are similar to those for which it is registered and the use of the sign in relation to such goods or services is likely to cause confusion on the part of the public.

In accordance with section 20 of TMO, once a piece of goods bearing a registered trade mark has been put on the market anywhere in the world by the owner or with his consent (whether express or implied or conditional or unconditional), the registered trade mark in respect of such goods is not infringed unless (i) the condition of the goods has been changed or impaired after they have been put on the market and (ii) the use of the registered trade mark in relation to those goods is detrimental to the distinctive character or repute of the trade mark.

Pursuant to section 22 of TMO, the registered owner of a trade mark is entitled to commence infringement proceedings once any infringement by third parties occurs, and is entitled to all such relief by way of damages, injunctions, accounts or otherwise as is available in respect of infringement of any other property right. The trade mark owner may also apply to the court for an order for delivery up and an order for disposal pursuant to sections 23 and 25 of TMO.

3. *The Law on Passing Off*

Passing off is a common law action which can be used to enforce unregistered trade mark rights. The necessary elements for the action of passing off includes: (i) that an owner's goods or services have acquired a goodwill or reputation in the market and are known by some distinguishing feature; (ii) that there is a misrepresentation (whether intentional or unintentional) by a third party leading or likely to lead the public to believe that the goods or services offered by the third party are goods or services of the owner; and (iii) that damage has been or is likely to be suffered by the owner as a result of such misrepresentation.

Misrepresentation is an essential element for an action of passing off. With regard to 'misrepresentation', the Court of Final Appeal of Hong Kong have confirmed in *TWG Tea CO Pte Ltd and Another v Tsit Wing (Hong Kong) Co Ltd and Others (2016) 19 HKCFAR 20* that mere dilution without deception or confusion of customers does not constitute sufficient damage, and the law of passing off in Hong Kong does not include the concept of 'dilution'. To establish a likelihood of deception or confusion where there is no direct misrepresentation, two factual elements are usually required to be established: (i) that a name, mark or other distinctive feature used by the owner has acquired a reputation among a relevant class of persons; and (ii) that members of that class will mistakenly infer from a third party's use of a name, mark or other feature which is the same or sufficiently similar that the third party's goods or business are from the same source or are connected with the owner.

Examples of misrepresentation from common law cases include: misrepresentation that the owner's goods of one class or quality are of another class or quality, misrepresentation that second-hand or used goods of the owner are new, misrepresentation that altered or adulterated goods are goods of the owner's original manufacture, misrepresentation that the goods are covered by the owner's guarantee when they are not so covered, and misrepresentation that a person is the authorised dealer of the owner when such person is not so authorised.

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Under common law, parallel import, meaning the importation and sale by others of goods originating from the owner of industrial property rights in parallel with his own importation of such goods, whether carried out by himself or through authorised agent, does not generally amount to passing off, since no misrepresentation is involved as to the origin of the goods. However, if the importer alters the contents, names or labels of the products, actionable passing off may occur.

4. *Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) and the Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong)*

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) provides for the regulation and control of, among others, the import of articles into Hong Kong. Under section 6C, no person shall import any article specified in Schedule 1 to the Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong) (“**IEGR**”) except under and in accordance with an import licence. Any person who contravenes this section shall be guilty of an offence and shall be liable on conviction to a fine of HK\$500,000 and to imprisonment of 2 years.

Under Schedule 1 of IEGR, prohibited articles that require a licence for import includes, among others, pesticides.

5. *Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong)*

Regulation 4 and 5 of the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) provide that every person who imports or exports any article other than an exempted article shall lodge an accurate and complete import or export declaration relating to such article using services provided by a specific body with the Commissioner of Customs and Excise within 14 days after the importation or exportation of the article. As our Group import products from overseas, we are subject to the Import and Export (Registration) Regulations.

Any person who fails or neglects to declare within 14 days after importation or exportation without reasonable excuse is liable to a fine of HK\$1,000 upon summary conviction and HK\$100 in respect of every day such declaration has not been lodged. Furthermore, any person who knowingly or recklessly lodges any declaration with the Commission of Customs and Excise that is inaccurate in any material particular shall be guilty of an offence and shall be liable to a fine of HK\$10,000 on summary conviction.

Further, under Regulation 7, a penalty is payable for any person who does not lodge the declaration within 14 days after the importation or exportation. If the total value of articles specified in a declaration does not exceed HK\$20,000, the penalty payable will be: (i) HK\$20 for lodgment of declaration after 14 days but within 1 month and 14 days after the importation or exportation; (ii) HK\$40 for lodgment of declaration after 1 month and 14 days but within 2 months and 14 days after importation or exportation; and (iii) HK\$100 for lodgment of declaration after 2 months and 14 days after the importation or exportation. If the total value of articles specified in a declaration exceeds HK\$20,000, the aforesaid penalty charges will be doubled to HK\$40, HK\$80 and HK\$200 respectively. Any penalty payable under Regulation 7 is a civil debt due to the Government of the HKSAR and recoverable by proceedings at the District Court, and is payable when the declaration to which the penalty relates is lodged with the Commissioner of Customs and Excise.

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(D) General Compliance

1. Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)

Our Group conducted our business in leased or licenced properties and we are considered to be the occupier of such properties under the Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong). As such, we are required to comply with the Occupiers Liability Ordinance, which regulates the obligations of a person occupying or having control of premises on which injury or damage resulting to persons or goods lawfully on the land or other property from dangers.

The Occupiers Liability Ordinance imposes a “common duty of care” on an occupier of a premises to all his visitors to take such care as in all the circumstances of the case is reasonable to see that that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

2. Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

The purpose of the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (“**OSHO**”) is to ensure the safety and health of employees when they are at work; to prescribe measures that will contribute to making the workplaces of employees safer and healthier for them; to improve the safety and health standards applicable to certain hazardous process, plant and substances used or kept in workplaces; and generally to improve the safety and health aspects of working environments of employees.

The employer shall ensure the safety and health at work of all his employees by (i) providing and maintaining plant and work systems that are safe and without risks to health; (ii) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances; (iii) providing all necessary information, instruction, training and supervision as may be necessary to ensure the safety and health at work of his employees; (iv) maintaining the workplace in a condition that is safe and without risks to health; (v) providing or maintaining safe means of access to and egress from the workplace; and (vi) providing and maintaining a working environment that is safe and without risks to health.

Failure to comply with the above requirements constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to comply intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

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Under sections 9 and 10 of the OSHO, the Commissioner for Labour may serve an improvement notice on an employer, or an occupier of premises where a workplace is located, if the employer or occupier contravenes the provisions of the ordinance, or the Commissioner for Labour may serve a suspension notice to the employer or the occupier of premises where there is an imminent risk of death or serious bodily injury in the premises. Failure to comply with the improvement notice constitutes an offence and is liable to a fine of HK\$200,000 and to imprisonment for 12 months, while failure to comply with the suspension notice constitutes an offence and is liable to a fine of HK\$500,000 and to imprisonment for 12 months.

3. *Gambling Ordinance (Chapter 148 of the Laws of Hong Kong)*

The Gambling Ordinance (Chapter 148 of the Laws of Hong Kong) (“**Gambling Ordinance**”) regulates the law in relation to gambling in Hong Kong. Under section 22(1) of the Gambling Ordinance, any person promoting, conducting and/or organising any lottery, a game of tombola, a game of amusement with prizes or a trade promotion competition in Hong Kong is required to obtain a licence. In particular, under section 22(1)(a)(iv) of the Gambling Ordinance, any person engaged in trade or business and organising and conducting a trade promotion competition is required to obtain a trade promotion competition licence from the Home Affairs Department.

Under section 2 of the Gambling Ordinance, trade promotion competition is defined as a competition or other scheme promoted, conducted or managed for the purpose of promoting a trade or business or the sale of any product. According to the Licensing Guidelines in the Guide for Applicants of Trade Promotion Competition Licence (“**Application Guide**”) published by the Office of the Licensing Authority of the Home Affairs Department, typical examples of a trade promotion competition are lucky draws organised by department stores or restaurants to boost sales and promote business.

Under section 22(3) of the Gambling Ordinance, the trade promotion competition licence is subject to the prescribed conditions and to any other conditions which the public officer appointed by the Secretary for Home Affairs may impose. The prescribed conditions are set out in Form 4A under the Gambling Regulations (Chapter 148A of the Laws of Hong Kong) (“**Gambling Regulations**”), which include:

- (1) no prize offered shall be a money prize;
- (2) no fee shall be charged for entering the competition;
- (3) advertising in respect of the competition shall refer to the licence by stating its number in the prescribed manner; and
- (4) within ten days from the date of the drawing or judging of the competition, details of the results shall be published in one English and one Chinese newspaper circulating in Hong Kong, and a copy of the relevant newspaper cuttings shall be forwarded to the public officer appointed by the Secretary for Home Affairs.

Contravention of a condition of the trade promotion competition licence constitutes an offence and is liable to a fine of HK\$50,000 and to imprisonment for 2 years.

REGULATORY OVERVIEW

Pursuant to section 22(2) of the Gambling Ordinance, the trade promotion competition licence may be granted for a particular competition or for a period of 12 months which is renewable. Nevertheless, according to the Licensing Guidelines in the Application Guide, as a general rule, no licence will be granted for a period of more than three months nor extended.

As our Company launches non-periodical lucky draw events as part of our trade promotion activities, we obtained the Trade Promotion Competition Licence issued by the Secretary for Home Affairs pursuant to the requirements under Gambling Ordinance and Gambling Regulations based on the nature of the events on short term basis which cover the duration of the lucky draw events.

4. *Employment Ordinance (Chapter 57 of the Laws of Hong Kong)*

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (“**Employment Ordinance**”) regulates the general conditions of employment and matters connected therein in Hong Kong. It provides for the payment of wages, restriction on deductions from wages, the grant of statutory holidays, and the termination of contract, among other things. Further, employees under a continuous contract are entitled to benefits such as maternity leave, sickness allowance, paid annual leave, rest days, severance and long service payment under the Employment Ordinance.

Under section 25 of the Employment Ordinance, where a contract of employment is terminated, any sum due to the employee shall be paid to him as soon as is practicable and in any case not later than 7 days after the date of termination. Any employer who willfully and without reasonable excuse contravenes this section commits an offence and is liable to a fine of HK\$350,000 and to imprisonment for 3 years. Further, pursuant to section 25A, if any wages or any sum referred in section 25(2)(a) (e.g. amount for payment in lieu of notice, long service payment) are not paid within 7 days from the day on which they become due, the employer shall pay interest at a specified rate on the outstanding amount of wages or sum from the date on which such wages or sum become due up to the date of actual payment. Any employer who willfully and without reasonable excuse contravenes this section commits an offence and is liable to a level 3 fine of HK\$10,000.

5. *Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)*

The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) provides for the establishment and regulation of non-governmental mandatory provident fund schemes for members of the workforce to accrue financial benefits for retirement.

Unless otherwise exempted, employers are required to arrange their employees who are aged between 18 and 64 and employed for not less than 60 days to be enrolled as a member of a mandatory provident fund scheme (“**MPF Scheme**”). Employers and employees are both required to contribute 5% of the employee’s monthly relevant income as mandatory contribution to the MPF Scheme, subject to the minimum and maximum level of relevant income for contribution purpose, which are currently HK\$7,100 per month and HK\$30,000 per month respectively. An employer who without reasonable excuse fails to enroll his employees in a MPF Scheme commits an offence and is liable on conviction to a fine of HK\$350,000 and to imprisonment for 3 years, while an employer who without reasonable excuse fails to comply with the contribution requirement is liable to a fine of HK\$450,000 and to imprisonment for 4 years.

REGULATORY OVERVIEW

6. *Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)*

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) provides that an employee is entitled to be paid wages not less than the minimum wage in respect of any wage period. The prescribed minimum hourly wage rate at present is HK\$34.5. Pursuant to section 15, a provision of a contract of employment that purports to extinguish or reduce any right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

The Minimum Wage Ordinance applies to every employee being engaged under a contract of employment to which the Employment Ordinance applies, except those who are employed as a domestic worker in, or in connection with, a household and who dwells in that household free of charge, a student intern, or a work experience student during a period of exempt student employment.

7. *Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)*

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) ("ECO") establishes a no-fault, non-contributory employee compensation system for work injuries, and lays down the rights and obligations of employees and employers respectively in respect of injuries sustained by, or death of, employees as a result of an accident arising out of and in the course of employment, or in respect of specified occupational diseases suffered by the employees.

If an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer shall be generally liable to pay compensation in accordance with the ECO. Pursuant to section 5(4), an accident is deemed to arise out of and in the course of employment even if the employee was at the time when the accident happened acting in contravention of any statutory or other regulation applicable to his employment, or of any orders given by or on behalf of his employer, or acting without instructions from his employer, if such act was done by the employee for the purposes of and in connection with his employer's trade or business. Nevertheless, pursuant to section 5(3), where it is proved that the injury to an employee is attributable to the serious and willful misconduct of the employee, or the injury is deliberately aggravated by the employee, any compensation claimed in respect of that injury shall be disallowed.

Pursuant to section 40 of the ECO, an employer is not allowed to employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than the specified amount. At present, the minimum insurance amount is HK\$100 million per event where the number of employees in relation to whom the policy is in force does not exceed 200, while the minimum insurance amount is HK\$200 million per event where the number of employees in relation to whom the policy is in force exceeds 200. An employer who fails to comply commits an offence and is liable on conviction upon indictment to a level 6 fine of HK\$100,000 and to imprisonment of 2 years.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR HISTORY

Our business can be traced back to 2013 when Ciao International, our major operating subsidiary commenced our business by operating retail stores in Hong Kong under our brand of “Best Mart 360°” “(優品360°)” for retailing leisure foods and other groceries products, mainly comprised of prepackaged leisure food products. Being interested in exploring the business opportunities in retail businesses and inspired by the growing popularity of overseas products amongst consumers, Mr. Lin and Ms. Hui, who were the principal founders of our Group and fellows of same hometown, jointly invested in the business of our Group in May 2013. Our first retail store was opened at Sheung Shui, the New Territories on 12 July 2013 when Mr. Lin and Ms. Hui together with two Independent Third Parties were the shareholders of Ciao International which issued shares were owned as to 90% by Quality Food 360° (which was in turn owned as to 50% by each of Mr. Lin and Ms. Hui) and 5% by each of the Independent Third Parties. On 17 July 2013, the Independent Third Parties ceased to participate in the business of our Group and transferred their shareholdings in Ciao International to Quality Food 360°. After the transfer, Ciao International was ultimately owned as to 50% by each of Mr. Lin and Ms. Hui through their respective shareholdings in Quality Food 360°. Over the past 5 years, we have grown from operating 13 retail stores as at 31 March 2014 to operating 73 retail stores as at 31 July 2018.

Since the inception of the business of our Group, the operation fund of our business was mainly contributed by Mr. Lin by way of shareholder’s loan and banking facilities extended to our Group with collateral securities provided by Mr. Lin. Hence, a casting vote was granted to Mr. Lin on equality of votes in the shareholders’ meetings and directors’ meetings of Quality Food 360°. Ms. Hui’s investment in our Group, including her investment in Ciao International, acquisition of shareholder’s loan from Mr. Hui and her contribution to the operation fund of our Group by way of shareholder’s loan, was made from her personal resources and investment and was not financed by Mr. Hui.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 January 2018. Since its incorporation, our Company has been an investment holding company with no business operations. Upon completion of series of steps of reorganisation as described in the paragraph headed “Reorganisation” below, our Company became the ultimate holding company of our Group for the purpose of the Listing and all of the entire issued shares of the three wholly owned subsidiaries of our Group, namely Ciao International, Quality Food 360° and Best Mart BVI, were held directly or indirectly by our Company.

OUR KEY BUSINESS DEVELOPMENT AND MILESTONES

The followings set forth our key business development and key milestones since the inception of our business:

Year	Event
April 2013	We established our first office and warehouse at Kwai Chung, the New Territories

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Event
July 2013	Our first retail store operated under our brand “Best Mart 360° (優品360°)” was opened at Sheung Shui, the New Territories to rapidly capture the opportunities arising from the influx of mainland tourists spending in Hong Kong
August 2014	We commenced to strengthen our sales to local population by opening our first retail store in a shopping arcade at Tseung Kwan O, a community district
September 2014	We were first accredited with the “No Fakes Pledge Scheme (正版正貨計劃)” certification by the Hong Kong Intellectual Property Department
September 2014	We were awarded Second Runner-up for “Usage Award for New Retail Merchants” under Octopus Partner Awards 2014 (八通達商業夥伴大獎2014 – 最高用量商戶大獎 – 新零售商戶(季軍))
April 2015	We established our membership programme
April 2015	We first entered into distributorship agreement with an overseas manufacturer for exclusive distributing its products in Hong Kong
July 2015	We were first accredited as member of the Quality Tourism Services Association (優質旅遊服務協會會員) and was awarded Certification mark upon “Retail Shops” Category under the “Quality Tourism Services Scheme” by the Quality Tourism Services Scheme of the Hong Kong Tourism Board (香港旅遊發展局)
October 2015	We were recognised as “Consumer’s Most Favourable Hong Kong Brands of 2015 – Golden Award (香港名獎金獎品牌)” by China Enterprise Reputation & Credibility Association (Overseas) (中華(海外)企業信譽協會)
January 2016	We were awarded Best Loved Brands Awards 2015 (一路最愛生活百貨品牌大獎2015) by RoadShow (路訊通)
March 2016	We relocated our office to Kwun Tong and our warehouse to Kowloon Bay

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Event
October 2017	We were awarded “Merit Award for MTR Shops Voting Campaign 2017 – Light Refreshment” (2017投選至愛MTR Shops – 輕食之選優異獎)
August 2018	We were awarded Champion for “Usage Growth Award for Retail Acquirer Merchant” under Octopus Partner Awards 2017 (八通達商業夥伴大獎2017 – 最高用量增長商戶大獎 – 業務拓展夥伴商戶 – 冠軍)

From the opening of our first retail store under our brand “Best Mart 360° (優品360°)” in Sheung Shui, New Territories in July 2013 up to the Latest Practicable Date, our Group had spanned our retail stores to 18 administrative districts in Hong Kong and captured both business opportunities from tourists and the local population in the community during the past five years by offering a wide spectrum of leisure foods and other grocery products.

CORPORATE DEVELOPMENT

Our corporate history

Members of our Group are set out below:

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 January 2018 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. Following completion of our Reorganisation, we have three subsidiaries, namely, Best Mart BVI, Quality Food 360° and Ciao International and our Company became the holding company of our Group with our business primarily conducted by Ciao International.

As at the Latest Practicable Date, our Company was wholly owned by Long Ease, a BVI company beneficially owned as to 50% by Mr. Lin and as to 50% by Ms. Hui for which Mr. Lin has casting vote upon equality of votes in its shareholders’ meetings and directors’ meetings. Immediately upon completion of the Share Offer, the interests of Long Ease will decrease to 75% of the total number of issued Shares. Accordingly, each of Long Ease, Mr. Lin and Ms. Hui is our Controlling Shareholder upon Listing. For details regarding the shareholding interests of our Controlling Shareholders, please see section headed “Substantial Shareholders”.

The following sets forth the material information about the corporate development of each subsidiary of our Company, all of which have been private companies since their respective dates of incorporation. We also underwent certain reorganisation steps in contemplation of the Listing, particulars of which are set forth in the paragraph headed “Reorganisation” in this section.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Best Mart BVI

Best Mart BVI was incorporated in the BVI as a limited liability company on 23 February 2018. Since its incorporation and up to the Latest Practicable Date, one fully-paid share has been allotted and issued to our Company, and Best Mart BVI has been wholly and beneficially owned by our Company since its incorporation.

Best Mart BVI engages in investment holding.

Quality Food 360°

Quality Food 360° was incorporated in the BVI as a limited liability company on 25 April 2013. On 25 April 2013, Quality Food 360° was owned as to 50% by each of Mr. Lin and Ms. Hui for which Mr. Lin had casting vote upon equality of votes in its shareholders' meetings and directors' meetings.

As a result of the Reorganisation, on 15 December 2018, the aforesaid casting vote had been cancelled and terminated upon completion of the step (3) – Reorganisation set out below and Quality Food 360° became a direct wholly-owned subsidiary of Best Mart BVI, which is a direct wholly-owned subsidiary of our Company. As at the Latest Practicable Date, Quality Food 360° had an issued share capital of US\$2 divided into two shares.

Quality Food 360° engages in investment holding and trade marks holding.

Ciao International

Ciao International was incorporated in Hong Kong as a limited liability company on 14 December 2012. On 14 December 2012, Ciao International was owned as to 50% by Mr. Hui and as to 25% by each of two Independent Third Parties. On 13 May 2013, Mr. Hui transferred 10,000 shares of HK\$1.00 each (representing 50% of the issued shares in Ciao International) at the consideration of HK\$10,000 to Quality Food 360° (which was in turn owned as to 50% by Mr. Lin and 50% by Ms. Hui) as Mr Hui intended to concentrate his efforts in other businesses and his personal matters and each of the two Independent Third Parties transferred 4,000 shares of HK\$1.00 each (representing an aggregate of 40% of the issued shares in Ciao International) at the total consideration of HK\$8,000 to Quality Food 360°. After such transfers of shares in Ciao International, Ciao International was owned as to 90% by Quality Food 360° and 5% by each of the two Independent Third Parties. On 17 July 2013, each of the two Independent Third Parties transferred 1,000 shares of HK\$1.00 each (representing an aggregate of 10% of the issued shares in Ciao International) at the total consideration of HK\$2,000 to Quality Food 360°. Since then, the entire issued shares (i.e. 20,000 shares) in Ciao International are wholly owned by Quality Food 360°.

Pursuant to the Reorganisation, Ciao International became an indirect wholly owned subsidiary of our Company. As at the Latest Practicable Date, Ciao International was the key operating subsidiary of our Group. During the Track Record Period and up to the Latest Practicable Date, all of the chain retail stores of our Group in Hong Kong were operated by Ciao International.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Overview

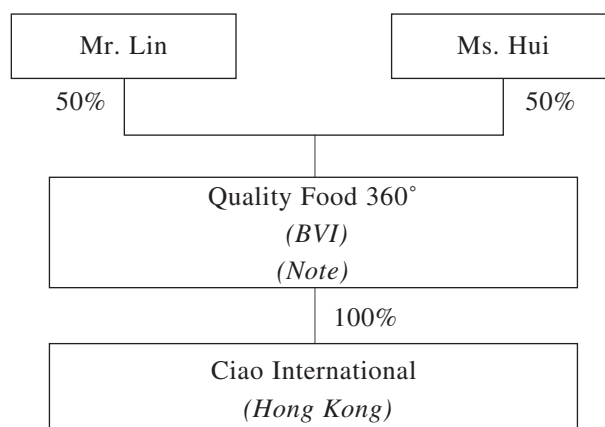
The table below sets out some brief details of our Company and its subsidiaries as at the Latest Practicable Date:

Entity	Date of incorporation	Place of incorporation	Amount of nominal share capital	Amount of paid up capital	Principal activities
Our Company	24 January 2018	Cayman Islands	HK\$380,000	HK\$20,000	Investment holding
Best Mart BVI	23 February 2018	BVI	US\$50,000	US\$1	Investment holding
Quality Food 360°	25 April 2013	BVI	US\$50,000	US\$2	Investment holding and trademarks holding
Ciao International	14 December 2012	Hong Kong	HK\$20,000	HK\$20,000	Operation of chain retail stores for prepackaged leisure food and other grocery products under our brand “Best Mart 360° (優品360°)” in Hong Kong

REORGANISATION

Group Structure before the Reorganisation

The shareholding and corporate structure of our Group immediately prior to the Reorganisation was as follows:



Note:

Each of Mr. Lin and Ms. Hui was the beneficial owner of 50% issued shares in Quality Food 360°, respectively. On equality of votes of the shareholders' meetings and directors' meetings of Quality Food 360°, Mr. Lin had casting vote.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Reorganisation steps

In preparing for the Listing, our Group had carried out the Reorganisation which involved the following steps:

(1) Incorporation of our Company

On 24 January 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability, with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Upon our Company's incorporation, one nil-paid subscriber's share was immediately transferred to Long Ease at par value. On the same date of incorporation, 999,999 nil-paid Shares were allotted and issued to Long Ease at par value. Following the above share allotment and transfer, the issued share capital of our Company was wholly owned by Long Ease.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 6 June 2018.

(2) Incorporation of Best Mart BVI

On 23 February 2018, Best Mart BVI was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. Upon its incorporation, one share (being 100% of the issued share capital of Best Mart BVI) was subscribed by our Company at par. Upon completion of such subscription, Best Mart BVI became a direct wholly-owned subsidiary of our Company.

(3) Acquisition of Quality Food 360°

On 15 December 2018, our Company acquired the entire issued shares of Quality Food 360° (i.e. two issued shares in Quality Food 360°) from Mr. Lin and Ms. Hui in consideration for the allotment and issue of 1,000,000 Shares ("Consideration Shares"), credited as fully paid to Long Ease and the credit as fully paid the 1,000,000 Shares held by Long Ease on the incorporation of our Company. Our Company nominated Best Mart BVI as the registered shareholder of the two issued shares in Quality Food 360° upon completion of the acquisition. Immediately after the aforesaid acquisition, Quality Food 360° became indirectly wholly owned subsidiary of our Company and our Company became the holding company of our Group. In consideration of the issue of the Consideration Shares to Long Ease, Mr. Lin and Ms. Hui irrevocably cancel and terminate the casting vote of Mr. Lin in the shareholders' meetings and directors' meetings of Quality Food 360°.

Upon completion of the above acquisition, the issued share capital of our Company comprised 2,000,000 Shares having par value of HK\$0.01 each, with Long Ease holding its entire issued Shares (representing 100% of our Shares then in issue).

(4) Completion of Reorganisation

Upon completion of the Reorganisation, our Company became the holding company of our Group.

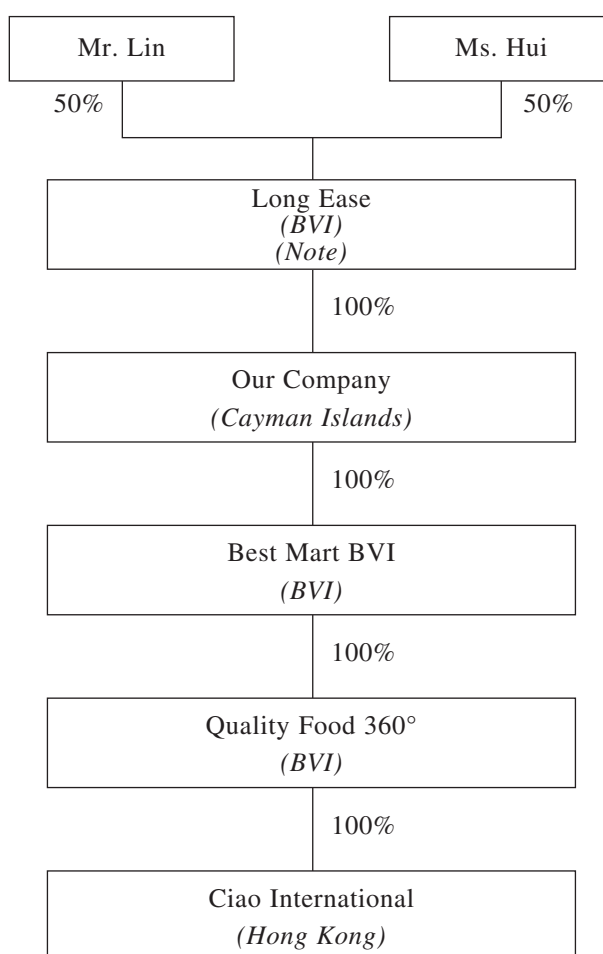
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(5) Increase in the authorised share capital of our Company

On 18 December 2018, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares, ranking pari passu in all respects with the then existing Shares of our Company.

CORPORATE AND SHAREHOLDING STRUCTURE

The shareholding and corporate structure of our Group immediately after the Reorganisation but before completion of the Capitalisation Issue and the Share Offer was as follows:

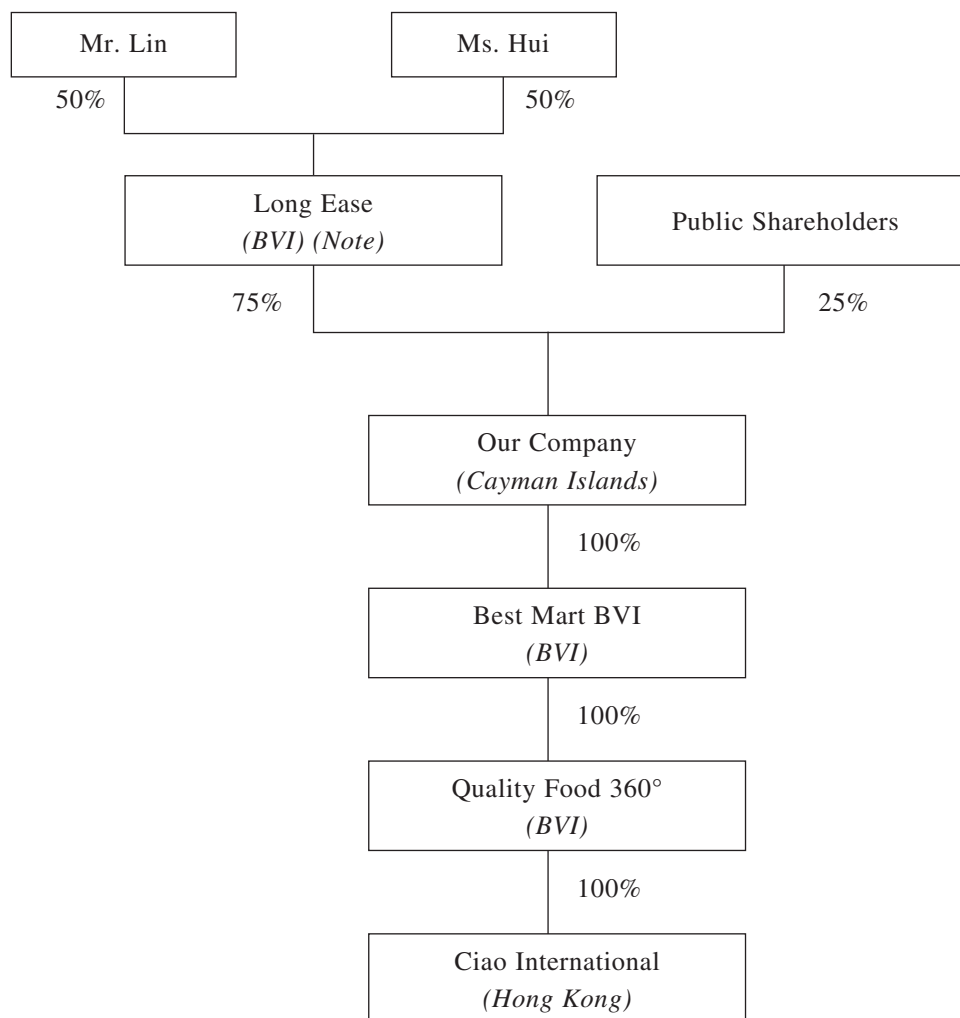


Note:

On equality of votes in the directors' meetings and shareholders' meetings of Long Ease, Mr. Lin has casting vote.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The shareholding and corporate structure of our Group immediately after the completion of the Capitalisation Issue and the Share Offer:



Note:

On equality of votes in the directors' meetings and shareholders' meetings of Long Ease, Mr. Lin has casting vote.

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OVERVIEW

We are a leisure food retailer operating chain retail stores under our brand “Best Mart 360° (優品360°)” since the inception of our business in 2013. It is our business objective to offer “Best Quality” and “Best Prices” products to our customers through our continuous efforts on global procurement with a mission to provide comfortable shopping environment and pleasurable shopping experience to our customers.

We offer wide collection of imported prepackaged leisure foods and other grocery products, principally from overseas, which can be broadly categorised into (i) confectioneries; (ii) packaged bakery products and snacks; (iii) nuts and dried fruits; (iv) grain and other miscellaneous food products; (v) beverages and wine; (vi) personal care products; and (vii) other products, such as baby food and products, health food and supplements and miscellaneous household items, such as cleaning agents, table ware and rain gear. Due to the nature of the retail business of our Group, walk-in customers from the general public are our major customers. According to the Frost & Sullivan Report, our Group had the highest retail revenue per store with approximately HK\$15.4 million per store for the year ended 31 March 2018 amongst the top seven leisure food retailers which operated over 20 retail stores in Hong Kong. Besides, we were ranked as the second largest leisure food retailers amongst such top seven leisure food retailers in Hong Kong in terms of our revenue of approximately HK\$1,075.9 million for the year ended 31 March 2018, translating to a market share of approximately 21.6% in the leisure food retail market in Hong Kong as at 31 March 2018. The Hong Kong Tourism Board certified our compliance with the assessment criteria of the Quality Tourism Services Scheme and has authorised our certification mark “Best Mart 360° (優品360°)” to use upon “Retail Shops” category and we have been accredited as a “Quality Shop” by the Hong Kong Tourism Board since July 2015. While we procure majority of our products by way of parallel import from overseas markets, we have adopted stringent appraising procedures in selecting approved suppliers and products procured. Since 2014, we are a member of the “No Fakes Pledge” Scheme launched by The Intellectual Property Department of Hong Kong Government. As at the Latest Practicable Date, all of our retail stores obtained the “No Fakes Pledge” certification which we believe would significantly enhance consumer trust and confidence on us.

As at the Latest Practicable Date, we sourced our products of around 495 brands and 1,960 SKUs from different overseas suppliers mainly from Europe, the United States, Japan, Korea and South East Asia and importers in Hong Kong, comprising brand owners, manufacturers, distributors, and trading companies. During the Track Record Period, we had strengthened our overseas procurement channels and capabilities in procuring a wide spectrum of products across the world in a cost effective manner by building up business relationship with suppliers from more than 16 countries. Being one of the leading leisure food retailers in importing leisure food from overseas markets into Hong Kong, we aim to procure more distinctive overseas products for our customers which are not generally available in the Hong Kong leisure food retail market. We had also gradually increased direct procurement from upstream suppliers which our Directors believe that was beneficial to further control the procurement costs of our Group. In order to keep abreast of information on new brands and/or new products available in the international groceries markets, we on one hand generally maintain stable business collaborative relationship with our existing suppliers for regularly reviewing new brands and new products available in the international markets and on the other hand consistently attend major international trade shows, exhibitions and business missions for identifying new suppliers, new brands and/or new products globally. For each of the three years ended 31 March 2018 and the four months ended 31 July 2018, the total purchases from

BUSINESS

our Group's five largest suppliers in aggregate accounted for approximately 38.0%, 37.4%, 35.8% and 29.2% respectively of our Group's total purchase for the years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018, respectively, and our largest supplier accounted for approximately 10.4%, 11.2%, 8.9% and 8.5% respectively of our Group's total purchases for the years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018, respectively. Our Directors believe that the diversified procurement channels and the flexibility in sourcing from enormous group of suppliers enable our Group to maintain a quality, trendy and broad appeal product mix in our retail stores at competitive prices which in turn increase our leverage in the market.

During the Track Record Period, we recorded significant growth in terms of revenue and number of retail stores. As at the Latest Practicable Date, we operated a total number of 85 retail stores decorated in unified simple and contemporary custom under our standardised operational model. During the Track Record Period, we increased the number of retail stores from 24 as at 1 April 2015 to 70 as at 31 March 2018 and 73 as at 31 July 2018. Amongst the 85 retail stores operated by our Group as at the Latest Practicable Date, 15 retail stores are located in Hong Kong Island, 33 retail stores are located in Kowloon and 37 retail stores are located in the New Territories. Our revenue increased from approximately HK\$472.8 million for the year ended 31 March 2016 to approximately HK\$1,075.9 million for the year ended 31 March 2018, representing a CAGR of approximately 50.8%, and our net profit increased from approximately HK\$12.5 million for the year ended 31 March 2016 to approximately HK\$53.6 million for the year ended 31 March 2018, representing a CAGR of approximately 107.5%. Our revenue increased from approximately HK\$256.5 million for the four months ended 31 July 2017 to approximately HK\$338.5 million for the four months ended 31 July 2018, representing an increase of approximately 32.0%. Although our net profit decreased from approximately HK\$5.9 million for the four months ended 31 July 2017 to approximately HK\$5.7 million for the four months ended 31 July 2018, our net profit excluding Listing expenses increased from approximately HK\$6.4 million for the four months ended 31 July 2017 to approximately HK\$11.8 million for the four months ended 31 July 2018, representing an increase of approximately 85.2%. For detailed analysis of our financial performance during the Track Record Period, please refer to the section headed "Financial Information – Description and analysis of principal items in the combined statements of profit or loss and comprehensive income" in this prospectus. Our Directors believe that the significant growth of our business is primarily due to various reasons, including our capability in maintaining a quality, trendy and broad appeal product mix at competitive prices, our strategic planning in developing targeted customers and location of our retail stores, our effective pricing policy, our stable collaborative relationships with our increasing numbers of suppliers and procurement networks, our generally admired and rewarding marketing efforts and our advanced and customised information technology systems that continuously enhance our operation efficiency and allow us staying intact with market trends and customers' preferences.

Leveraging on our extensive procurement network and our ability to source quality products all over the world at competitive prices, we also actively pursue suitable opportunity to expand our business by developing private label products since November 2017. Our Directors believe that our ability to develop and offer the private label products is a signature milestone of our business development which will on one hand allow us to effectively control the price premiums of our private label products and their qualities and thereby contributes to higher profitability of such products to our Group and on the other hand, further uplift our brand awareness and reinforce our brand recognition in the market.

As at the Latest Practicable Date, we carry around 1,960 SKUs in our product portfolio which included around 454 SKUs of confectioneries, 138 SKUs of nuts and dried fruits, 648 SKUs of packaged bakery products and snacks, 198 SKUs of grains and miscellaneous food products, 284 SKUs of beverages and wine, 73 SKUs of personal care products and 165 SKUs of other products.

OUR COMPETITIVE STRENGTHS

We believe that our success is attributable to, among other things, the following competitive strengths:

Our brand “Best Mart 360°” has well-recognised brand positioning and strong brand recognition in the leisure food retail market of Hong Kong

Since the inception of our business in 2013, we are characterised by our strong brand positioning in providing overseas prepackaged leisure foods under our brand “Best Mart 360° (優品360°)” which is well-recognised in the leisure food market of Hong Kong. It is our business objective to offer “Best Quality” and “Best Prices” products through our continuous efforts on global procurement and to provide comfortable shopping environment and pleasurable shopping experience to our customers. We aim to continuously offering new products and comprehensive collection of distinctive products which are not generally available in the Hong Kong leisure food retail market at competitive prices to our customers and, to create and give joyous sentiment and shopping satisfaction to our customers. According to the Frost & Sullivan Report, we were ranked as the second largest leisure food retailers in Hong Kong in year 2017 with a market share of approximately 21.6% in the leisure food retail market in Hong Kong in terms of revenue for the year ended 31 March 2018. Our brand “Best Mart 360° (優品360°)” has been well-recognised in Hong Kong and we have obtained awards and recognitions from corporate entity, appraisal associations, government authority and quasi-governmental bodies on our strong brand positioning and/or quality operation in retailer sector during the past years. Please refer to the paragraph headed “Honours and Awards” in this section for further details of such awards and recognitions. Together with our marketing strategies in local television commercials, newspapers, magazines, digital marketing activities through electronic media, direct mailing promotion, members’ communications and other ad hoc promotional and sponsorship activities for television dramas, premieres and joint marketing and promotion campaigns with banks, credit card issuing institution and amusement park and shopping arcades, we have established, popularised and elevated our brand positioning and brand recognition in the market. Further, our established membership scheme that keep our members and potential customers promptly informed of our fast-moving new products launches, thematic or special featured product’s promotion and other promotional offers also raises our market visibility and brand awareness. We believe that our well-established brand positioning and strong brand recognition are valuable assets of our Group.

Our quality, trendy and broad appeal product mix procured from international leisure food market

We believe that one of the key contributors to our success is the popularity and marketability of our products that successfully attract the attention of consumers and stimulate their desirability of purchase. We offer wide collection of overseas groceries products, which can be broadly categorised into (i) confectioneries; (ii) packaged bakery products and snacks; (iii) nuts and dried fruits; (iv) grains and other miscellaneous food products; (v) beverages and wine; (vi) personal care products; and (vii) other products, such as baby food and products, health food and supplements and household items. Through our continuous efforts on global procurement from international groceries markets, we have increased the SKUs of our products from 1,764 as at 31 March 2016 to 1,870 as at 31 March 2018 and 1,955 as at 31 July 2018. During the Track Record Period, we sourced products of over 1,025 brands and 5,793 SKUs from over 16 countries in the world, mainly originated from Europe, the United States, Japan, Korea and South East Asia. In addition, we have successfully maintained the quality of our products by adopting

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stringent quality assurance procedures that ensure compliance of food safety standards and regulations and thereby gaining consumers' confidence. As we managed to continuously expanding and optimising our products portfolio to cover quality, trendy and broad appeal product mix available from international groceries markets at competitive prices, we believe that we are eligible to arouse, meet and satisfy consumers' needs and expectations in pursuing freshness and distinctiveness in groceries products at affordable prices which will in turn increase our leverage in the market and enhance consumer trust, confidence and loyalty that enhance our long term competitiveness.

Our pricing policy and effective cost control measures which together optimise and escalate the level of our profitability and contribute to our growth in financial performance

Our management closely and regularly monitors our Group's financial performance and implements measures to provide well balance between profit margins and the target sales growth. We effectively control our operating costs, which vitally optimises and escalates the level of our profitability. We implement such measures with aim to improve profit margins and sales including (i) tactical determination of retail prices for products with differentiated nature and distinctiveness that we trust represents value-for-money and remains competitive to that of our competitors; (ii) constant price adjustments on our products in accordance with market trends and customers' responses and evolving preferences to products; (iii) prices adjustments by seasonality; (iv) regular launches of thematic or special featured product's promotion that effectively boost up sales volume; and (v) timely promotion of slow moving inventories imperatively. Such measures working together essentially maximise our sales performance and operating margins.

We have taken steps to effectively control operating costs such as (i) tight control of rental expenses; (ii) maintaining relatively low capital expenditure for opening new stores; (iii) broadening our networks to source directly from overseas brand owners and manufacturers to effectively reduce procurement costs; (iv) achieving gradual realisation of the benefit of economy of scale by enlarging the scale of procurement following the increasing numbers of our retail stores; and (v) continuously optimising our information technology systems to increase efficiency in inventory control and management that substantially minimise waste of inventories. During the Track Record Period, we had on one hand recorded same store sales growth of approximately 1.3%, 8.8% and 14.4% for each of the year ended 31 March 2017 and 2018 and the four months ended 31 July 2018 against previous year or period and on the other hand achieved increase in revenue of approximately 45.9%, 55.9% and 32.0%, and increase in net profit (excluding the impact of Listing expenses) of approximately 102.0%, 131.6% and 85.2%, for each of the year ended 31 March 2017 and 2018 and the four months ended 31 July 2018 against previous year or period. Further, our gross profit margin increased from approximately 29.3% for the year ended 31 March 2016 to approximately 31.8% for the year ended 31 March 2018 and further increased to approximately 33.5% for the four months ended 31 July 2018. We believe that our effective pricing policy and cost control measures have been key contributors to the growth in our financial performance during the Track Record Period.

Our capability in maintaining stable collaborative relationships with existing suppliers and proactively and constantly identifying new suppliers

Our suppliers mainly consist of brand owners, manufacturers, distributors and trading companies from Europe, the United States, Japan, Korea, South East Asia and importers in Hong Kong. In order to enrich our product range and product portfolio seamlessly, we have maintained stable collaborative

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relationships with our existing suppliers and have proactively and constantly identified new suppliers by regularly attending international tradeshows, exhibitions and business missions that provided us extensive procurement networks and diversified supplier contacts. Given that we have developed and maintained diverse suppliers' base and have thereby possessed with affluent latest products information in the international groceries markets, we are able to comprehend the ever-changing product trends swiftly and to capture the pre-emptive opportunities to source a wide variety of quality, popular, trendy and distinctive leisure food products originated from various overseas countries swiftly and on a continual basis. Further, as we do not rely on any of our supplier, we are therefore in more advantageous position to negotiate more favourable pricing so as to better control our procurement costs. For each of the three years ended 31 March 2018, we had entered into transactions with 158 suppliers, 191 suppliers and 235 suppliers respectively and for the four months ended 31 July 2018, we had entered into transactions with 182 suppliers. We believe that the stable collaborative relationships maintained by us with our suppliers enable our Group to create and foster long term relationship with our suppliers which in turn contribute to the success of our Group.

Our strategic planning in expanding the structure of target customers

Given that our business is a consumer driven business, we have strategically planned and expanded the structure of our target customers in the past years of our operation. In anticipation of the strong purchasing power and purchasing desirability of tourists, especially from the PRC, we opened our first retail store in July 2013 in Sheung Shui, New Territories, a district in Hong Kong that have relatively high traffic of daily or short stay round trip PRC tourists for shopping in Hong Kong. Since then, we put substantial efforts in promoting our sales to tourists at the initial stage of our business establishment by opening retail stores in various populous tourists shopping hotspots, such as Mongkok, Wanchai, Tsimshatsui, Causeway Bay, Tuen Mun and Yuen Long which enable our Group to rapidly capture the opportunities from the influx of PRC tourists spending in Hong Kong. As we believe that local consumption force would enable our Group to broaden our market share in the leisure food retail market of Hong Kong and is an essential gear to diversify our customer base and procuring business growth, we commenced to strengthen our sales to the local population from the local community by opening our first retail store in a shopping arcade of a community district, i.e. Tseung Kwan O in August 2014, with a view to intensify our influence over the supply chain of necessities to the local population in the local community. Since then, we further develop and reinforce our customer base covering both tourists and population from the local community parallelly. Our Directors are of the view that our strategy in diversifying customer base to cover both tourists and local population in the local community during the Track Record Period had lessened the negative impact on our sales performance arising from the decline of PRC tourists visiting Hong Kong in 2015 and 2016. The expansion of the structure of our target customers has been proven to be a success in further expanding our business scale and brought us satisfactorily growth in both of our revenue and profit.

Our strategically located retail stores and stringent management of sales performance of our retail stores

As at the Latest Practicable Date, we operated 85 retail stores in Hong Kong, consisting of 31 retail stores situated at street-level, 48 retail stores situated at the shopping arcades of community districts and 6 retail stores situated at various traffic hubs, including train station, ferry terminal, mass transit railway station, airport and border shopping district. Amongst the 31 retail stores situated at street-level, 16 retail stores situated at popular shopping districts frequently visited by tourists, i.e. Yau

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Tsim Mong district, Wan Chai district and Yuen Long district. We diligently select the location of our retail stores and take into consideration of various factors that may affect the sales performance of individual retail stores. For retail stores that mainly target on sales to tourists, we generally choose street-level stores that are conveniently located in popular shopping districts and popular tourists shopping malls with high pedestrian flow and high visibility. For retail stores that mainly target on sales to local population in community or residential areas, we generally select store location with reference to the population density in the community districts or residential areas and the level of their accessibility by our target customers. In addition, we cautiously control our rate of returns from capital expenditure on opening new stores by various measures to substantially alleviate the risks and losses of underperforming retail stores. We generally conduct market researches and studies on perceived annual sales and estimated returns from opening a particular new store prudently. We also evaluate the volume and traffic of target customers and the possible spending habit of potential customers in target location before entering into long term leases for our retail stores. In the past years, we managed to grasp chances to enter into licences with terms of not more than six months at a lower market rent for stores vacant due to sluggish rental market for retail stores through reviewing demographic information such as population and age group distribution of the nearby area. Entering into such short term licences on one hand enables us to lower our rental related cost which help us to strike the balance of leasing high rental key locations and thereby allows us to optimise our profitability and on the other hand allows us to test on the actual volume and traffic of customers and their spending power in the concerned locations. By adopting the aforesaid evaluation processes, we are in a better position to accurately assess the feasibility for entering long leases in the target locations that we intend to station. For more information on our store selection criteria and process, please see the paragraph headed “Retail store selection criteria and opening of retail stores” in this section.

Besides, our management closely monitors the sales performance of each of our retail stores and promptly takes necessary steps to improve the sales performance for individual underperforming stores, we meticulously reformulate alternative and flexible operational models for underperforming retail stores, such as adjusting products display to better suit the purchasing trends and preferences for target customers in different locations and strengthening management for underperforming retail stores in order to maximise our sales and profits generated from such stores. We also close or relocate the underperforming retail stores upon expiration of their lease terms to decisively lessen the adverse impact arising from such underperforming stores and thereby enhance economic efficiency. We had achieved growth in the number of our retail stores at a CAGR of approximately 42.9% during the three years ended 31 March 2018, growth in our revenue at of CAGR of approximately 50.8% during the three years ended 31 March 2018, growth in our gross profits at a CAGR of approximately 57.3% during the three years ended 31 March 2018 and relatively short breakeven period of our retail stores opened during the Track Record Period of approximately one month.

OUR BUSINESS STRATEGIES

We aim to maintain our leadership position in the leisure food retail market in Hong Kong and plan to further increase our influence and market share over the leisure food retail market in Hong Kong by implementing the following business strategies:

Expand our business by opening additional retail stores

During the Track Record Period, we had successfully established and expanded the scale of our operations spanned across all of the 18 districts in Hong Kong. As at the Latest Practicable Date, we operated 85 retail stores in Hong Kong. Leveraging on our understandings on the customers' preference, market trends and the retail environment in Hong Kong, our Directors believe that we are well-positioned to further expand the scale of our operation by integrating the standardised operational model adopted in the past years to progressively broaden the geographical coverage of our retail stores and heighten our Group's core competitiveness among the competitors by further optimising our market presence. According to the Frost & Sullivan Report, despite the decrease in number of visitors from the PRC in 2015 and 2016 which was mainly due to the change of policy regarding individual visit endorsements for permanent residence in Shenzhen from "multiple entry" permit to "one trip per week" permit taken place in 2015, with the continuous marketing efforts made by the Hong Kong Tourism Board, Hong Kong is developing new attractions to maintain its attractiveness to tourists which lead to an increase in number of visitors from the PRC in 2017 as compared to 2016. Hence, the visitors arrivals in Hong Kong are expected to rebound in the forthcoming years. Further, based on the Frost & Sullivan Report which provided forecasts on the steady growth of average monthly household expenditure on food and beverages (excluding meals bought away from home), the median monthly domestic household income in Hong Kong in the forthcoming years and the steady growth of both of the population in Hong Kong and the rebound of number of tourists visiting Hong Kong in the next few years, we believe that there will be promising growth potentials for our business. Therefore, we plan to expand our retail network and intensify our market penetration by opening additional retail stores in the forthcoming years progressively. We intend to utilise a substantial part of the net proceeds from the Share Offer to open additional retail stores in the forthcoming years. To complement our retail stores expansion plan, we will also further magnify our capabilities in procurement, our ability to control rental expenses, our efficiency in inventory control, our warehousing and logistical efficiency, our corporate culture and strengths in staff training, our customers' brand bonding and loyalty by additional input in marketing efforts and resources. For more information on our plan in opening additional retail stores in the forthcoming years, please see the paragraph headed "Retail store selection criteria and opening of retail stores" in this section.

We targeted to open 2, 28, 28 and 14 additional retail stores by applying the net proceeds from the Share Offer for each of the year ending 31 March 2019, 2020, 2021 and 2022 respectively. Such target growth in number of stores for the forthcoming years is determined with reference to that of 8, 20 and 18 additional stores opened during each of the year ended 31 March 2016, 2017 and 2018, respectively and 15 additional stores opened during the period from 1 April 2018 to the Latest Practicable Date, and 4 additional stores planned to be opened with our own resources as at the Latest Practicable Date and with a lower CAGR of number of additional stores to be opened of approximately 28.1% targeted for each of the year ending 31 March 2019, 2020 and 2021 as compared to that of three years ended 31 March 2018 of approximately 42.9%.

Among the 72 retail stores to be opened by utilising the net proceeds from the Share Offer, around 13, 21 and 38 retail stores were expected to be opened in Hong Kong Island, Kowloon and New Territories, respectively. We set the target investment payback period for our new stores with reference to our historical performance during the Track Record Period, which is approximately 9.8 months. Our Group sets the target rate of return for our future expansion with reference to our historical performance. During each of the three years ended 31 March 2018, our Group recorded return on total assets (calculated by the net profit for the financial year divided by total assets as the end of such financial year) of approximately 11.0%, 14.0% and 24.8% for each of the year ended 31 March 2016, 2017 and 2018, respectively.

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In order to avoid competition and cannibalisation among our retail stores, when identifying a suitable location for our new retail stores, we will take into account the geographical coverage of the location compared to that of our existing retail stores in order to ensure that our sales networks do not materially overlap. Besides, our management closely monitors the sales performance of retail stores within the same district to assess whether if the sales of one retail store will cannibalise the sale of another retail store in the same district. In fact, we managed to maintain same district growth in total revenue and total net profit while expanding our retail network during the Track Record Period, which demonstrate our ability to manage cannibalisation and over-expansion risk.

Given our management has taken more cautious approach in preparing our retail stores expansion plan at a lower CAGR of approximately 28.1% for the three years ending 31 March 2021 as compared to that of approximately 42.9% for the three years ended 31 March 2018, our Directors considered that our retail stores expansion plan for the three years ending 31 March 2021 is reasonably manageable and controllable by us with our established and continuously optimised supporting units and systems, such as procurement network, human resources function, warehouse, compliance and internal control function and information technology systems. In order to cope with our continuous expansion plan of retail stores, we believe that we are in a position to (i) scale up our procurement by increasing our purchase from our existing suppliers that is expected to gradually achieve economies of scale in procurement, and expanding our existing supplier network by identifying new brand owners, manufacturers, distributors and trading companies; (ii) recruit additional staff with our existing salary structure which was proven to be effective for our Group to recruit staff under open recruitment that reflected our Group's ability to attract talents at the same time maintain stringent cost control; (iii) recruit additional staff with talents to further strengthen our management team and our managerial competence; (iv) increase and control our logistic and warehousing capabilities and efficiency with the operation of our continuously upgraded information technology systems that effectively improve operational efficiency in our inventories management and logistics and maximise our utilisation rate of our warehousing and logistics facilities in more accurate and organized manner; (v) identify and engage suitable additional logistic and warehousing options promptly to cope with any short term and/or long term needs for logistic and warehousing following the expansion of our retail network; (vi) identify suitable location for our new retail stores principally based on our retail stores selection criteria which had been proven to be practical and tactful in fulfilling our store opening strategies and target; (vii) control product quality systematically with the assistance of our quality assurance officer so as to provide product quality assurance to consumers while the our retail network and product mix and varieties are continuously expanding; (viii) maintain sound and effective internal control measures to monitor and safeguard our Group from operational risks and to effectively formulate policies and resolutions to mitigate or resolve these risks with the assistance of our compliance team.

With the target investment payback and rate of return, we consider that the expansion plan will have positive impact on our profitability. By using net proceeds from the Share Offer, which is external fund with equity nature, our Group can use external funding instead of our own operating cash flow to support our expansion plan, and minimise the finance costs incurred from bank borrowings, as such, we considered that the expansion plan will not have material adverse effect on our liquidity position.

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Expand our business by improving our procurement capabilities and continuously enlarging our collection of products with competitive price

We believe that our global procuring channel is one of the key factors contributing the success of our business and distinguishing us from our existing competitors and incoming market players. It is our strategy to offer wide variety of products at competitive price and maintain broaden spectrum of products with high level of popularity or distinctiveness through our substantial efforts in global procurement and our increasing capability to source our products directly from more upstream suppliers. To continuously maintain the popularity and attractiveness of our products, we will improve our procurement capability by recruiting additional motivated and skilled members of purchasing team, continuously increasing exposures to new products and new suppliers by attending additional overseas trade shows and business missions, continuously optimise our pricing policy and controlling our procurement costs.

Further enhance the overall brand awareness by marketing strategies and campaigns

Parallel to the proposed expansion of our scale of operation, our Group will implement marketing strategies to further enhance the overall brand awareness of “Best Mart 360° (優品360°)”. Our Group will continue to carry out advertising and promotional activities and other corporate image enhancement programs to further strengthen our brand image through various types of media. We will take continuous proactive marketing approaches and efforts to utilise both traditional media, such as newspaper, magazines, and televisions commercials, and digital media, such as social media platforms, websites and internet platforms, to promote our brand and our products. We will also continue to selectively participate in ad hoc promotional and/or sponsorship activities such as those for television dramas, premieres and joint marketing and promotion campaigns with financial institutions and other entertainment businesses so as to reinforce and promote our brand awareness, which will in turn increase our market shares and customers’ awareness. We intend to utilise certain net proceeds from the Share Offer to further expand the scale of our marketing efforts.

Continue to expand our member base

Given that our business is to a substantial extent of customer driven nature, we establish and maintain membership scheme since April 2015 for promoting consumer loyalty, stimulating sales at our retail stores and further expanding our customer base. As at the Latest Practicable Date, we had over one million members.

We believe that our membership scheme serves as an effective communication channel that disseminate our marketing and promoting activities from time to time promptly and swiftly to our members and thereby fostering ties and collaborations between our members and our Group. Our Directors believe that the provision of incentives and special promotional offers on designated products exclusively to our members such as reward points earning, various exclusive member offers and selected product redemption, also boost our sales and cultivate bonding with our members. Our membership scheme also allow us to collate purchasing information and data of our frequent customers for surveying and analysing our customers’ purchasing preferences, needs and habits that are significant for enriching our product portfolio, determining our pricing strategy for individual products and procuring better customer services. We also believe that by launching and expanding our member’s coverage, we are in a favourable position to procure more recurring business and maintain sustainable growth of our business. Hence, we intend to further expand our member base by offering additional members’ benefits in the near future and further increase our communication channels with our members.

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Increase warehousing and logistics capacities

We believe that an efficient warehousing and logistics system is one of the major elements for procuring our competitiveness, attaining an optimal level of inventory and ensuring effective stock replenishment at our retail stores and warehouses.

In line with our expansion plan on retail network, we will evaluate and monitor our warehouse utilisation and logistic arrangement from time to time and consider to expand our warehousing and logistics system as and when appropriate.

Further upgrade our information technology systems to constantly improve our operation efficiency

We believe that advanced, effective and customised information technology systems are crucial for improving operational efficiency, controlling and reducing operating costs and achieving higher profitability. While we are prepared to expand our operation progressively, we plan to further upgrade our information technology systems to support our foreseeable growth in business scale. Our major information technology systems include POS system and WMS system. For further details of our information technology systems, please refer to the paragraph headed “Information Technology” in this section. In order to further enhance our operational efficiency, we intend to further upgrade our information technology systems such as optimising and/or extending the functions of our existing POS system and WMS system for improving the accuracy of operation data for internal analysis purpose and enhancing systematic control and loading of documentations for facilitating efficient warehousing and logistics. We also intend to adopt an enterprise resource planning system, so as to allow direct interface among various information technology systems of our Group to streamline the operation process and reduce human errors so as to cope with our progressive expansion in our business.

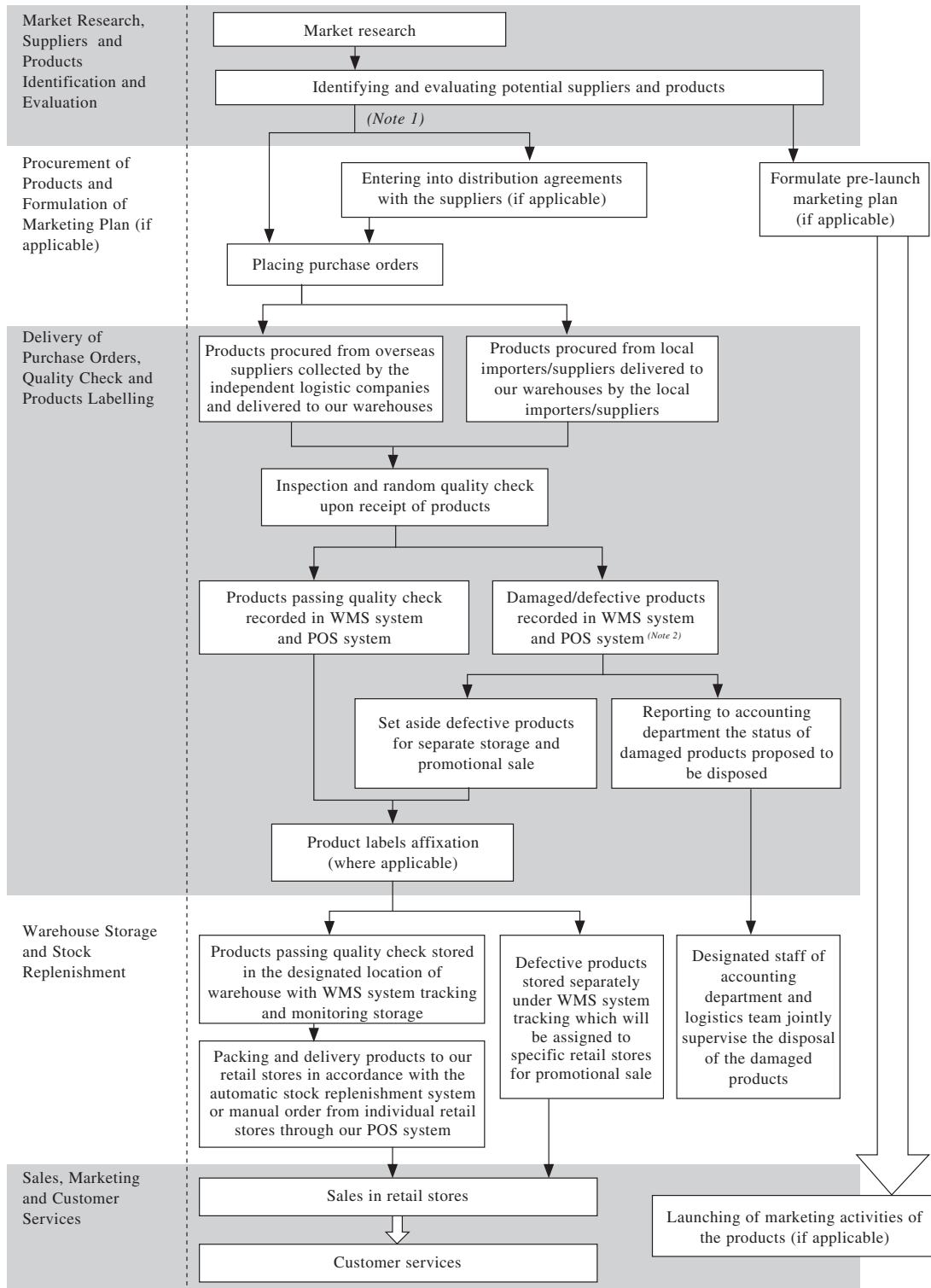
Continue to develop and build corporate culture and attract, retain and motivate skilled and talented employees

Our employees are vital to our business, in particular, the front-line staffs which represented approximately 75.5% of the total number of employees of our Group as at 31 July 2018, symbolises our corporate image, culture and services quality of which are prominent to customers and are therefore critical to our business. We have adopted a comprehensive staff training manual and implement clearly defined staff training programs to newly recruited employees and front-line staffs and management that enhance skills, knowledge, occupational safety, productiveness and sense of belonging of our employees. Our employees are properly trained by such comprehensive in-house training programs and on-job training to familiarise with the operational requirements and procedures of our retail stores, our corporate core value, our commitment and responsibilities to our customers on product quality and customer services and our duties to complying with statutory obligations. We also regularly review and refresh our employee benefits scheme and remuneration packages based on the individual performance of our employees so as to suitably incentivised our employees and increase cohesion and loyalty amongst our employees. We strive to continuously provide and maintain highly regulated and dynamic but harmonious working environment to our employees at all levels. In addition, we plan to attract, retain and motivate skilled and talented employees to support the growth of our business by providing appropriate career advancement track to motivate our employees. To this end, we will give additional input on employee training at all levels, including offering subsidies to our employees suitably for attending courses and/or qualification exams that uplift the qualifications and working capabilities of our employees.

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BUSINESS MODEL AND OPERATIONS

The following diagram illustrates our current business model and operations in relation to our retail business:



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Notes:

1. During the Track Record Period and up to the Latest Practicable Date, we normally placed purchase orders directly with our suppliers without entering into distribution agreement or purchases agreement with fixed terms with our suppliers.
2. Purchasing team is responsible to follow up the status of damaged/defective products received with the relevant suppliers and to liaise for compensation, if appropriate. The possible compensation packages include returning damaged/defective products to their suppliers and/or seeking possible monetary compensation.

The following are the details of our business model and operations:

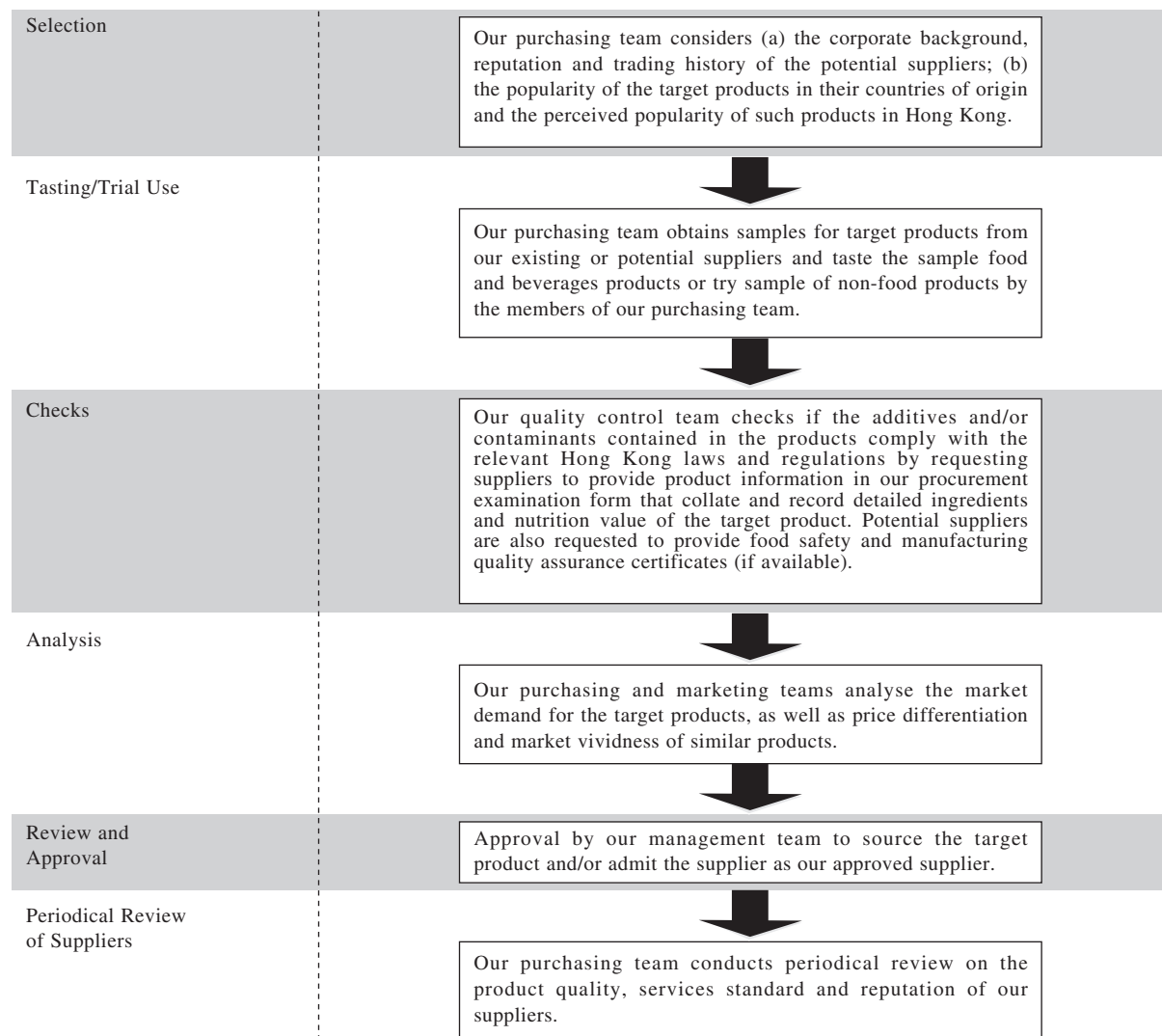
Market research, suppliers and products identification and evaluation

Our procurement capability is one of our key competitive strengths which is mainly attributable to our diverse suppliers' base, our stable collaborative relationships with existing suppliers and our ability to constantly identifying new suppliers.

We continuously explore and identify new products and new suppliers mainly through (i) introduction of new brands and new products by our existing suppliers or new suppliers; (ii) attending international exhibitions, trade shows and business missions; (iii) internet searches; and (iv) market intelligence.

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With our Group’s business objectives in offering products with “Best Quality” and “Best Prices” to our customers, we adopt and implement a stringent selection and review process of new suppliers and new products which can be summarised as follows:



Please refer to the paragraphs headed “Quality control – Selection of suppliers” and “Quality control – Selection of products, quality check and products labelling” in this section for further details about our selection criterias for new suppliers and new products, respectively.

Procurement of products and formulation of marketing plan

After we approve a new supplier or a new product, we will place purchase orders for the selected products on terms negotiated with supplier for individual purchase orders which specifies description of products ordered, the quantity of products ordered, payment terms, delivery arrangement and our standard terms and conditions for purchase. Generally, we do not enter into a distribution agreement or purchasing agreement with fixed terms with our suppliers as we prefer to maintain flexibility in our choices of

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products so as to keeping our product portfolio and product mix trendy and broad from time to time. However, we will consider to enter into exclusive or non-exclusive distribution agreement or purchasing agreement with the suppliers by taking into consideration of various factors, including:

- (i) product availability, i.e. whether similar products are generally available in the Hong Kong market;
- (ii) market potential of the product, the reputation of the brand, product quality and price competitiveness of the product;
- (iii) whether the product is complementary or dissimilar to our existing products; and
- (iv) whether there is any unbearable or insecure commitment on minimum purchase imposed as condition for the distribution agreement or purchasing agreement.

At the same time of placing orders, our purchasing team and marketing team will liaise if pre-launch promotional activities are necessary before we officially launch certain popular or distinctive products. During the Track Record Period, such pre-launch promotional effort is usually pursued by disseminating product brief on various media platforms. Our marketing team will also work out the broadcasting schedule and the relevant time frame for such broadcasting.

Delivery of purchase orders, quality check and products labelling

Depending on the countries of origins of the suppliers, it usually takes around one week to three and half months from placing a purchase order with our suppliers to the delivery of the products to our warehouses. Subject to the availability of products, local suppliers generally deliver orders within one week from the date of placing orders to our warehouses while it normally takes two months to three and half months for the delivery of orders from overseas suppliers to Hong Kong which will then be collected by independent logistics service providers appointed by us at container terminal, airport or warehouses of freight forwarders.

Upon the delivery of the products ordered to our warehouses, our logistics team is responsible to inspect and randomly check the quantity and packaging of the delivered products and report to our purchasing team and our accounting department any irregularities of the delivered products. Those damaged or defected products will either be disposed with the joint supervision of our staff in accounting department or set aside as promotional items at discounted prices for sale in our designated retail stores. Depending on the nature and extent of damages and defectiveness of the relevant products and the feasibility on returning damaged/defective products which mainly taking into account the transportation costs for returning products, the purchasing team settles appropriate compensation packages for damaged/defective products which normally include returning damaged/defective products to their suppliers and/or seeking possible monetary compensation, such as the reimbursement of related procurement costs for the relevant damaged/defective products or the refund of relevant purchase price of the damaged/defective products. To comply with the labelling requirements applicable for both food products and non-food products pursuant to the relevant laws and regulations in Hong Kong, we affix appropriate labels on both of the products passing quality check and the defective products assigned for promotional sale before such products are separately stored in their designated position in our warehouses which storage is tracked and monitored respectively in our WMS system. Please refer to the relevant labels requirements for food products and non-food products in the paragraphs headed “Regulatory Overview – Laws and regulations in relation to food safety” and “Regulatory Overview – Laws and regulations in relation to retail business”.

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Please refer to the paragraph headed “Quality control – Selection of products, quality check and products labelling” in this section for further details about our product quality check and products labelling affixation process.

Warehouse storage and stock replenishment

After the quality inspection, random quality check, and labels affixation, each batch of products will be assigned with specific product code and affixed with product identification label for storage purpose which are tracked by our WMS system for stock description, stock quantity, storage positioning, product expiration date, etc..

According to the stock replenishment order of our individual retail stores generated from our POS system, our logistics team picks the products ordered by our retail stores for delivery by the logistics service providers appointed by us to our retail stores. Please refer to the paragraph headed “Inventory management, warehousing and logistics” in this section for further details about our inventory control and warehousing.

Sales, marketing and customer services

Based on the different saleable floor area of our retail stores and the estimated customers’ needs and preference in the different locations of our retail stores, our operation team in head office assigns different product mix to retail stores in different locations. If our purchasing team and marketing team resolve to launch promotion activities on any specific products when the products are readily available for sale at our retail stores, our marketing team will distribute the relevant product brief and other promotional and marketing materials previously prepared for in-store display, publication of advertisement on newspapers and magazines and/or dissemination through our website and/or social media platforms.

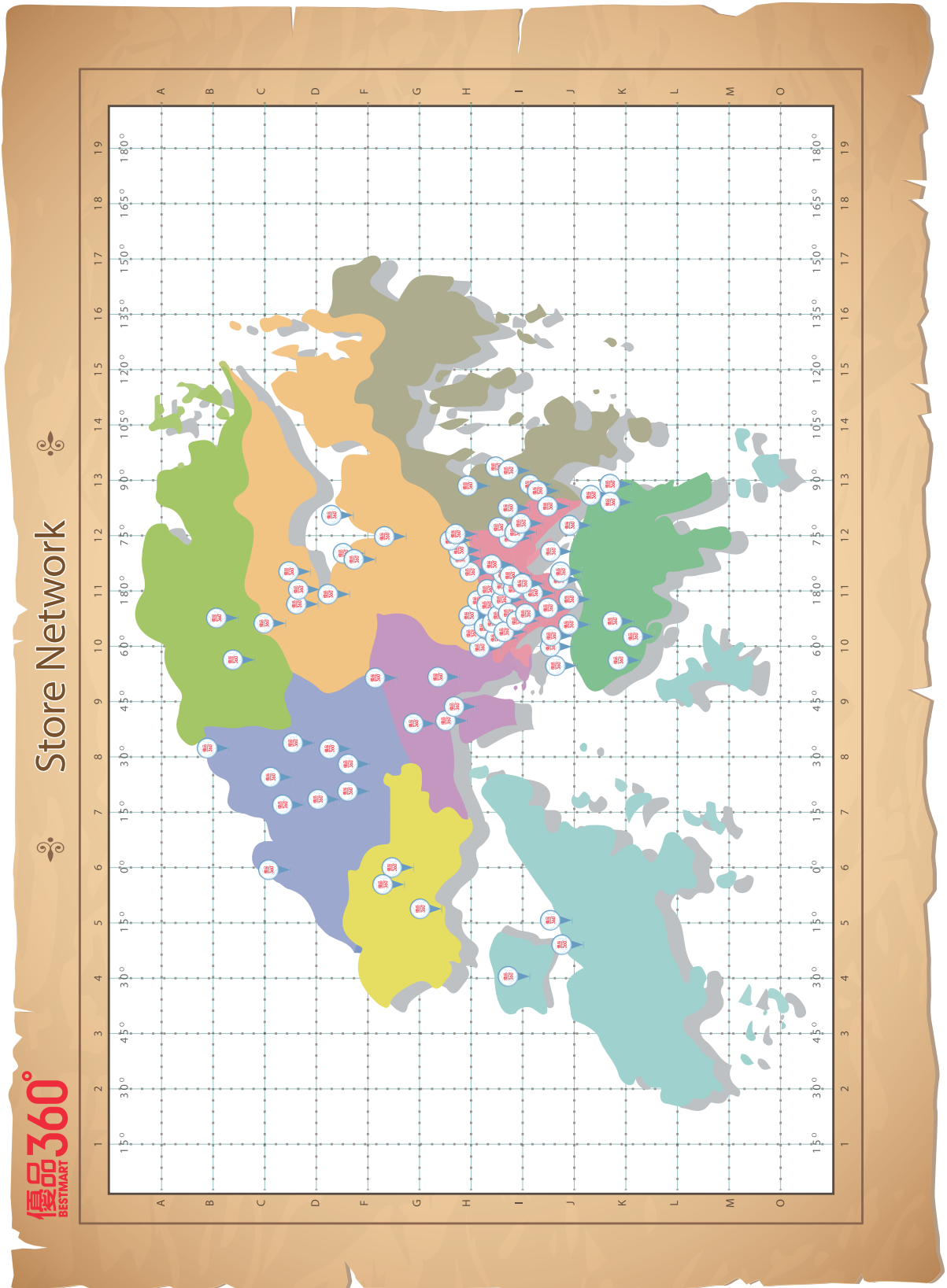
We provide post-sale customer services to cater our customer’s needs, enquiries and complaints. For details of our customer services, please see paragraph headed “Customer services” in this section.

OUR RETAIL STORES

As at the Latest Practicable Date, we have established an extensive retail network in Hong Kong with 85 retail stores consisting of 15 retail stores located in Hong Kong Island, 33 retail stores located in Kowloon and 37 retail stores located in New Territories. Amongst such 85 retail stores, 31 retail stores were situated at street-level, 48 retail stores were situated at the shopping arcades of community or residential districts and 6 retail stores were situated at various traffic hubs that are easily accessible by tourists, including train station, ferry terminal, mass transit railway station, airport and border shopping district. The typical saleable floor area of our retail stores is in the range of approximately 46.9 sq.m. to 285.3 sq.m..

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For illustrative purposes only, the map below indicates the approximate locations of our retail stores as at the Latest Practicable Date:



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The following table sets out the number of our retail stores in the 18 districts as at the Latest Practicable Date:

District	Number of our retail stores
Kowloon City District	5
Tai Po District	4
Central and Western District	4
Yuen Long District	9
Tuen Mun District	3
North District	4
Sai Kung District	5
Sha Tin District	4
Eastern District	5
Yau Tsim Mong District	14
Southern District	3
Tsuen Wan District	2
Sham Shui Po District	3
Wong Tai Sin District	5
Kwai Tsing District	3
Islands District	3
Wan Chai District	3
Kwun Tong District	6
Total	85

As we place strong emphasis in maintaining our brand image and recognition, our head office set the guidelines for the design, spacing, layout and product display of all of our retail stores that present a unified visual image, particularly through the design and colour of front door layout, inner decoration and product display. All of our retail stores use our unified promotional and marketing materials and display. Our marketing team regularly formulates the overall in-store promotional and marketing displays for our chain retail stores that strengthens our brand image and promotes thematic or special featured products activities and promotional offers from time to time. Our operation team in the head office regularly conducts on-site inspection at our retail stores to ensure the compliance of guidelines on unified decoration and display in our retail stores. The current design of our retail stores connotes simple and contemporary custom that aim to create young and energetic brand image and to provide comfortable shopping environment and pleasure shopping experience to our customers.

Management of retail stores

Our operation team, consists of operation team in our head office, area managers or area supervisors managing cross districts operation affairs and the front-line staffs stationed in each of our retail stores. Our operation team is responsible for the daily operation of our retail stores. As at 31 July 2018, we had 440 front-line sales staff for our retail stores operation.

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As at the Latest Practicable Date, our 85 retail stores were divided into eight sales teams, each headed by an area manager or an area supervisor, which is responsible for the implementation of our sales strategy and policy in their respective team of retail stores and directly manages the operation of the retail stores. The front-line sales staff in our retail stores were lead by a store manager who reports to the area manager or the area supervisor who oversees the relevant retail stores.

Generally, the store manager of each of our retail stores inspects the stock for their physical appearance and expiry dates, monitors and adjusts the automatic replenishment orders and places manual replenishment orders through our POS system based on the daily sales of the retail store. The products ordered are generally delivered to the relevant retail store in one to two days after the date of placement of orders.

Our store managers have monthly meeting with operation team in our head office to discuss the sales performance and daily operation issues of our retail stores. Our area managers and area supervisors have regular meetings with the operation team in our head office to discuss and review the execution of our overall sales strategy and pricing policy, and any management issues arising from the overall management of our retail stores network in accordance with the direction of the operation team in our head office.

Retail store selection criteria and opening of retail stores

We believe that identifying a suitable location for our retail stores is crucial to our success. Our Directors and leasing team are involved in the retail store selection and approval process, including the evaluation, inspection and approval of each retail store location prior to entering into long term lease with term of 2 years or above. We diligently select the location of our retail stores and take into consideration of various factors that may affect the sales performance of individual retail store. For retail stores that mainly target on sales to tourists, we generally choose street-level stores that are conveniently located in prime location of popular shopping districts and popular tourists shopping malls with high pedestrian flow and high visibility. For retail stores that mainly target on sales to local population in community or residential areas, we generally select store location by reference to the population density in the community or residential areas and the level of their accessibility. In addition, we cautiously monitor and control our rate of returns from capital expenditure on opening new stores by various measures to substantially alleviate the risks and losses arising from underperforming retail stores. We conduct market researches and studies on perceived monthly sales and estimate rate of returns from capital expenditure on opening new stores prudently. We also evaluate the volume and traffic of target customers and the possible spending habit of potential customers in target location before entering into long term leases for our retail stores through reviewing demographic information such as population and age group distribution of the nearby area. In the past years, we manage to grasp certain chances to enter into short term licences with terms of not more than six months at a lower market rent for stores vacant due to sluggish rental market for retail stores. Entering into such short term licences on one hand enables us to lower our rental related cost which help us to strike the balance of leasing high rental key locations and thereby allows us to optimise our profitability and on the other hand allows us to test on the actual volume and traffic of customers and their spending power in the concerned locations. We choose the location of each of our retail stores strategically in order to broaden the geographical coverage of our retail stores and heighten our Group's core competitiveness among the competitors by further optimising our market presence. By adopting the aforesaid evaluation processes, we are in a better position to accurately assess the feasibility for entering long leases in the target location that we intend to station.

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Once we have identified a suitable location for an additional retail store, we will enter into a lease agreement for the target store, refurbish or renovate the premise, decorate the store with our unified style of design and decoration, set up necessary display shelves and counters, relevant equipments and our POS system, arrange for staffing and apply for relevant licences, such as business registration certificate, for the new retail store. Our operation team is responsible to undertake the overall opening process of our retail stores. The typical lead time from the date of commencement of a lease to the opening of a retail store is approximately 3.5 to 4.5 weeks.

We had achieved growth in the number of our retail stores at a CAGR of approximately 42.9% from 1 April 2015 to 31 March 2018. During the Track Record Period, we generally managed to maintain a breakeven period of around one month for our retail stores opened.

The following table sets out the details of our retail stores opened and closed during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2018	From 1 April 2018 to 31 July 2018	From 1 August 2018 to the Latest Practicable Date
Number of retail stores					
Number at the commencement of the year/period	24	32	52	70	73
Number of retail stores opened during the year/period	15	25	24	9	13
Number of retail stores closed during the year/period	7	5	6	6	1
Total number at the end of the year/period	<u>32</u>	<u>52</u>	<u>70</u>	<u>73</u>	<u>85</u>

During the Track Record Period, we had closed two underperforming retail stores, upon the expiration of their lease terms to decisively lessen the possible adverse impact arising from such underperforming stores. Our Directors believe that the principal reasons for the underperformance of the two retail stores were that one of these retail stores was located at a spot with relatively lower pedestrian flow, and the other retail store was located in an area which is well-known for pet related shops instead of other merchandise. Save as disclosed above, the reasons for the closing of our retail stores during the Track Record Period were mainly as a result of the expiration of terms of leases or licences without renewal. We have constantly refined our strategy in identifying and opening new retail stores so as to enhance economic efficiency.

Among the 73 retail stores we operated as at 31 July 2018, three of our retail stores were loss-making since their opening up to that day. Our Directors believe that the principal reasons for the loss-making of these retail stores were that one of these retail stores was located in a shopping arcade of

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a relatively desolated residential district, one of these retail stores was located at a recently established traffic hub (both of such retail stores have relatively lower pedestrian flow and/or lower visibility) and the remaining one retail store was only opened shortly before 31 July 2018 and its initial establishment expenses had not been recovered from operation by 31 July 2018.

Our Group's revenue is not concentrated in any particular retail store. Among the retail stores we operated during the year ended 31 March 2018 and the four months ended 31 July 2018, none of them had contributed more than 5.0% of our total retail revenue for the year or the period.

In terms of districts in which our retail stores are located, apart from the retail stores in Yau Tsim Mong District we operated during that year or that period which, in aggregate, contributed to approximately 20.4% and 19.1% of our total retail revenue for the year and the period, none of the retail stores in the other districts contributed more than 10.0% of our total retail revenue during the year or the period. Such higher concentration was principally attributable to the relatively higher number of retail stores operated in Yau Tsim Mong District, which is a popular shopping district.

Most of our retail stores are either situated at street-level or at shopping arcades. As a result, the retail stores situated at street-level and at shopping arcades we operated during the financial year ended 31 March 2018 and the four months ended 31 July 2018 contributed approximately 51.8% and 45.6% of our total retail revenue during the year and approximately 45.2% and 51.3% of our total retail revenue during the period, respectively.

Implementation of our expansion plan for retail stores

Our planned new retail stores are expected to be opened on a rolling basis in accordance with our usual retail stores opening procedure described above. As at the Latest Practicable Date, we planned to expand our retail network by opening 76 additional retail stores in Hong Kong among which 72 additional retail stores is planned to be opened by applying the net proceeds from the Share Offer. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further information.

Subject to the availability of suitable location for new retail stores and reasonable market rental for new retail stores, we intend to open approximately 2, 28, 28 and 14 additional retail stores by applying the net proceeds from the Share Offer in each of the year ending 31 March 2019, 2020, 2021 and 2022, respectively. We expect that the opening of each additional retail store will require, on average, initial investment of approximately HK\$2.2 million assuming the approximate saleable area of such additional retail stores in the sizes similar to our existing retail stores. The total planned initial investment for each of the year ending 31 March 2019, 2020, 2021 and 2022 for the opening our additional retail store by applying the net proceeds from the Share Offer in Hong Kong is expected to be approximately HK\$4.3 million, HK\$60.2 million, HK\$60.2 million and HK\$30.1 million respectively. As part of our expansion plan for opening additional stores in the year ending 31 March 2019, we have already opened or planned to open 19 additional retail stores with our own resources since 1 April 2018 up to the Listing Date and two additional retail stores from the Listing Date to 31 March 2019.

When we assess the performance of our additional retail stores, we also consider the breakeven period and/or investment payback period of our existing stores. For the retail stores we opened during

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the Track Record Period, the breakeven period is generally around one month. Among the 73 retail stores we had as at 31 July 2018, 17 stores had not achieved investment payback as at 31 July 2018, including 13 stores which opened within twelve months prior to 31 July 2018, and 56 stores had achieved investment payback with average investment payback period of approximately nine to ten months. We expect that the additional retail stores that we plan to open will have similar breakeven period and investment payback period as the retail stores we opened during the Track Record Period.

Our leasing team is responsible to explore and identify suitable locations for our new retail stores in accordance with the overall development mapping of our retail stores determined by our Directors from time to time and to prepare estimation on sales performance and possible returns for the purpose of evaluating the feasibility for opening particular additional stores. It is also responsible to manage the documentations for leases and to liaise with landlords and property agents on leases related matters. Co-ordinating with our operation team in opening additional retail stores is also a duty of our leasing team.

Same store sales performance

Our growth in revenue during the Track Record Period was not only driven by the increase of the number of our retail store, but also by our capability to grow our sales within the existing retail stores. We assess our growth within the existing retail stores by calculating the same-store sales growth, which compares revenue derived from the retail stores that were in operation throughout the financial periods compared. The following table sets forth the same-store sales performance of our retail stores during the Track Record Period which was generally in line with the market trend:

	Year ended 31 March		Year ended 31 March		Four months ended 31 July	
	2016	2017	2017	2018	2017	2018
Number of same-store		18		26		46
Same-store sales (HK\$'000)	268,034	271,461	400,656	435,722	203,548	232,852
Same-store sales growth rate		1.3%		8.8%		14.4%

Please refer to paragraph headed "Financial Information – Major factors affecting our results of operations and financial condition – Same store sales" for further details.

OUR PRODUCTS

Products

We offer a comprehensive range of products covering collection of confectioneries, packaged bakery products and snacks, nuts and dried fruits, grains and miscellaneous food products, beverages and wine, personal care products and other products such as baby food and products, health food and supplements and miscellaneous household items. As at the Latest Practicable Date, our product portfolio included around 454 SKUs of confectioneries, 138 SKUs of nuts and dried fruits, 648 SKUs of packaged bakery products and snacks, 198 SKUs of grains and miscellaneous food products, 284 SKUs of beverages and wine, 73 SKUs of personal care products and 165 SKUs of other products.

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The table below sets forth the seven key categories of products sold by our Group with key information and their respective number of SKUs during the Track Record Period:

Products segments	Principal products	Range of shelf life of principal products (months) <i>(Note 1)</i>	Price range <i>(HK\$)</i>	Number of SKUs during the Track Record Period				
				for the year ended 31 March			for the four months ended 31 July	
				2016	2017	2018	2017	2018
Confectioneries	Chocolate, sweets and candies	3-24	1.2-345.0	727	782	817	607	516
Packaged bakery products and snacks	All kinds of biscuits, cakes, pastries, chips, crackers, jerkies, jellies, etc.	2-24	2.8-268.3	722	984	1,018	694	680
Nuts and dried fruits	All kinds of nuts and dried fruits	9-36	3.6-288.1	202	232	218	188	138
Beverages and wine	All kinds of beverage powder, instant drinks and wine	4-60 <i>(Note 2)</i>	3.0-826.8	359	391	445	328	333
Grains and miscellaneous food products	All kinds of cereals, noodles, pasta, rice, sauces, condiments, edible oil, canned food	3-48	2.0-218.2	389	392	371	290	238
Personal care products	Series of lotion, shampoo, conditioner, wet tissues, etc.	15-60	1.0-304.5	338	347	203	165	115

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Products segments	Principal products	Range of shelf life of principal products (months) <i>(Note 1)</i>	Price range <i>(HK\$)</i>	Number of SKUs during the Track Record Period				
				for the year ended 31 March			for the four months ended 31 July	
				2016	2017	2018	2017	2018
Others	Baby food and product, health food and supplements, household items such as cleaning agents, table ware and rain gear	For food items: 12-36; for mother-care items: 15-20; not applicable for household items	0.5-1,974.8	501	450	355	276	236

Notes:

1. Shelf life refers to the period of time when the product is manufactured and up to the labelled expiration date of the product.
2. Shelf life of 4 months to 60 months represented the range of shelf life of beverage powder, instant drinks and various fruit wines, rice wines and beer. No shelf-life is applicable to red wine or white wine.

As at the Latest Practicable Date, we sourced around 495 brands of products from suppliers mainly from overseas markets, such as Europe, the United States, Japan, Korea and South East Asia, and also importers in Hong Kong.

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The following table sets forth countries or regions of our suppliers in terms of the respective purchasing amounts during the Track Record Period:

Countries/regions	Year ended 31 March						For the four months ended 31 July			
	2016		2017		2018		2017		2018	
	<i>Purchase HK\$'000</i>	<i>% of total purchase</i>	<i>Purchase HK\$'000</i>	<i>% of total purchase</i>	<i>Purchase HK\$'000</i>	<i>% of total purchase</i>	<i>Purchase HK\$'000</i>	<i>% of total purchase</i>	<i>Purchase HK\$'000</i>	<i>% of total purchase</i>
Hong Kong	194,356	54.7	179,254	35.7	302,303	41.0	71,188	34.2	106,816	43.1
Japan	48,013	13.5	88,372	17.6	118,598	16.1	38,046	18.3	48,446	19.6
United States	15,273	4.3	61,919	12.3	115,033	15.6	38,367	18.4	20,208	8.2
Europe	45,715	12.9	97,030	19.4	87,017	11.8	23,794	11.4	25,152	10.2
South East Asia <i>(Note 1)</i>	19,515	5.5	36,036	7.2	56,254	7.6	17,230	8.3	17,853	7.2
Korea	19,590	5.5	28,057	5.6	29,349	4.0	12,002	5.8	15,292	6.2
Other countries <i>(Note 2)</i>	<u>12,598</u>	<u>3.6</u>	<u>10,751</u>	<u>2.2</u>	<u>27,958</u>	<u>3.9</u>	<u>7,364</u>	<u>3.6</u>	<u>13,863</u>	<u>5.5</u>
Total	<u><u>355,060</u></u>	<u><u>100.0</u></u>	<u><u>501,419</u></u>	<u><u>100.0</u></u>	<u><u>736,512</u></u>	<u><u>100.0</u></u>	<u><u>207,991</u></u>	<u><u>100.0</u></u>	<u><u>247,630</u></u>	<u><u>100.0</u></u>

Notes:

1. South East Asia includes Singapore, Malaysia, Thailand, Vietnam and Indonesia.
2. Other countries or region include Dubai, Egypt, Turkey, Australia, New Zealand, PRC and Taiwan.

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Revenue derived from our products

During the Track Record Period, our revenue was mainly generated from the sales of confectioneries, accounting for approximately 35.9%, 35.1%, 33.3% and 25.9% respectively of our total revenue during the same period, packaged bakery products and snacks and nuts and dried fruit, accounting for approximately 14.0%, 18.6%, 22.0% and 28.5% respectively of our total revenue during the same period, accounting for approximately 22.6%, 20.1%, 18.1% and 12.9% respectively of our total revenue during the same period. The table below sets out the amount and percentage of our total sales revenue for each of our product segments during the Track Record Period:

Product segments	Year ended 31 March						Four months ended 31 July			
	2016		2017		2018		2017		2018	
	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue
Confectioneries	169,918	35.9	242,127	35.1	358,337	33.3	70,703	27.6	81,520	24.1
Packaged bakery products and snacks	66,055	14.0	127,994	18.6	237,033	22.0	57,706	22.5	94,541	27.9
Nuts and dried fruits	106,805	22.6	138,903	20.1	195,111	18.1	49,117	19.1	62,730	18.5
Beverages and wine	33,605	7.1	54,469	7.9	106,127	9.9	29,123	11.4	37,720	11.1
Grains and miscellaneous food products	38,202	8.1	65,458	9.5	102,917	9.6	28,506	11.1	35,096	10.4
Personal care products	34,378	7.3	30,716	4.5	31,349	2.9	7,952	3.1	10,104	3.0
Others (Note)	23,868	5.0	30,327	4.3	45,056	4.2	13,389	5.2	16,748	5.0
Total	472,831	100.0	689,994	100.0	1,075,930	100.0	256,496	100.0	338,459	100.0

Note:

Others include baby food and products, health food and supplements and household items such as cleaning agents, table ware and rain gear.

Private Label Products

Since November 2017, we actively pursue suitable opportunity to develop private label products. The private label products are custom manufactured for us in accordance with the selected specifications available from Independent Third Party manufacturers which will be manufactured for sale exclusively in our retail stores. We generally purchase the private label products from these manufacturers on an order-by-order basis. The procurement costs of such private label products are fixed with reference to our procurement costs of similar products in the past, the retail price of similar products in the market and the

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quotation of procurement price of similar products from potential suppliers. We also select such suppliers of private label products by comparing the product quality and pricing of different potential suppliers. As at the Latest Practicable Date, we had launched two private label brands of wet tissues and one private label brand of chestnuts. Revenue derived from private label products was approximately HK\$289,000 for the four months ended 31 July 2018. Our Directors believe that our ability to develop and offer the private label products will be complementary to our business development which, will on one hand, allow us to effectively control the price premiums of our private label products and their qualities and thereby contribute to higher profitability of such products to our Group and on the other hand, further uplift our brand awareness and reinforce our brand recognition in the market.

As at the Latest Practicable Date, we do not have any detailed plans or concrete timetable to develop private label products. We will continuously identify suitable opportunities to develop additional private label products as and when appropriate.

MARKETING AND PROMOTION

Our marketing team is responsible for formulating and implementing our marketing plan and strategies, including enhancing brand awareness and corporate image, stimulating sales of our products and fostering customer loyalty, by various marketing and promotional activities. In order to achieve our marketing strategies, our Group incurred advertising and promotional expenses of approximately HK\$2.2 million, approximately HK\$4.8 million and approximately HK\$7.9 million for each of the three years ended 31 March 2018 respectively and approximately HK\$2.3 million for the four months ended 31 July 2018, representing approximately 0.5%, 0.7%, 0.7% and 0.7% of our Group's revenue for the respective years or period. Our Group's marketing strategies and promotional activities include:

Regular advertisements through different media

We deploy strategic planning and implementation of different advertising and promotional activities for building brand awareness and corporate image. Our Group placed advertisement through various means, including local televisions commercials, newspapers, magazines, digital marketing through various social media platforms, direct mailing promotion and distributing printed promotional materials. As digital media have significant influence on consumers' spending behaviour in recent years, effective online marketing is crucial for marketing our new products promptly and for presenting our sales promotion and events swiftly and efficiently in a timely manner. Apart from promoting our marketing activities and product information in our own website "www.bestmart360.com", we also use social media platforms and internet search engine, such as Facebook, Youtube and Google to disseminate our latest products information and sales promotion and events. We will also consider to adopt other social media platforms or internet search engines to increase our brand and products visibility to further enhance our market penetration.

We also frequently participate in various promotional and sponsorship activities, such as sponsorship for television dramas and premieres, which significantly elevate our brand awareness.

Promotional activities and sales events

In order to provide novelty value and excitement to our customers in shopping with us and to stimulate consumer awareness and our sales performance, we regularly launch different seasonal or festive promotion such as celebration events for Chinese New Year, Christmas, Easter, Mid-Autumn Festival and Valentine's Day and thematic products or special featured products promotion such as nuts festival, noodles festival, green tea and strawberries festival. We also periodically offer special discounts or redemption options on selected products that arouse consumers' attention and desirability of consumption which also encourage store foot traffic.

Membership scheme

We establish and maintain membership scheme since April 2015 for promoting customer loyalty and stimulating sales. Customers spending HK\$200 or above in a single transaction in our retail stores are eligible to join our membership scheme. As at the Latest Practicable Date, the number of our members amounted to over one million. Our Directors believe that our membership scheme, on one hand, fosters close and prompt customer's communications between our Group and our members and, on the other hand serves as an effective platform for disseminating updates for our marketing and promotional activities. By providing incentives and special promotional offers on designated products exclusively to our members, such as reward points earning, member price privileges for designated products and selected products redemption, we create value for our members, boost up our sales and cultivate emotional bonding of our customers simultaneously and thereby procuring more recurring businesses.

For the years ended 31 March 2016, 2017 and 2018 and for the four months ended 31 July 2018, the total revenue derived from our members amounted to approximately HK\$81.6 million, HK\$177.8 million, HK\$433.1 million and HK\$148.2 million respectively which represented for approximately 17.3%, 25.8%, 40.3% and 43.8% of the total revenue of our Group for the respective years or period.

Joint promotion campaigns


We constantly partner with industry players of entertainment sectors such as film production company and amusement park, credit card issuing institutions and shopping arcades to launch joint promotion campaigns which create synergistic effects on promotion for our Group and such partners. Such joint promotion campaigns include purchasing of our cash coupons by such partners that are offered to their customers or members for their promotion purposes, offering of our cash coupons by such partners to their customers or members and offering of entrance tickets of such partners by our Group to our customers for lucky draws, posting of partners' promotional materials in our retail stores physically or in our website or other social media platforms.

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OUR CUSTOMERS

Due to the nature of the retail business of our Group, walk-in customers from the general public are our major customers. For each of the three years ended 31 March 2018 and for the four months ended 31 July 2018, sales to walk-in customers accounted for approximately 99.1%, 99.5%, 99.5% and 99.8% of our total revenue respectively. Apart from the sales to walk-in customers from the general public, we concluded transactions for certain bulk-sales which amounted to approximately HK\$4.3 million, HK\$3.5 million, HK\$5.2 million in each of the three years ended 31 March 2018 and HK\$0.8 million for the four months ended 31 July 2018 which represented approximately 0.9%, 0.5%, 0.5% and 0.2% of the total revenue of our Group for the respective years or period. Such bulk-sales were conducted mainly pursuant to the enquiries from some of our customers, comprising mostly corporate customers and trading companies in the industry and were made occasionally with certain bulk-purchase discounts on our listed price offered to them on case-by-case basis, with an average of approximately 16.1% during the Track Record Period. The total amount of the five largest customers of such bulk-sales in each of the three years ended 31 March 2018 and for the four months ended 31 July 2018 amounted to approximately HK\$1.9 million, HK\$2.9 million, HK\$4.6 million and HK\$0.6 million, which represented approximately 0.4%, 0.4%, 0.4% and 0.2% of the total revenue of our Group for the respective years or period. Given that the total amount of the bulk-sales and the total amount of the five largest customers for such bulk-sales represented insignificant amount of sales attributed to the total revenue of our Group and the total sales to each of our customers for such bulk-sales accounted for less than 0.5% of the total revenue of our Group for each year or period during the Track Record Period, our Directors consider that there is no substantive meaning to identify and disclose further details of the five largest customers of such bulk-sales for the Track Record Period. Our Group did not rely on single customer during the Track Record Period.

Amongst such bulk-sales customers, a Shareholder and executive Director, his associates and an associate of our chief executive had made certain bulk-purchases in relatively insignificant amount of approximately HK\$0.1 million, HK\$0.1 million, HK\$24,000 and nil, in aggregate, during each of the three years ended 31 March 2018 and the four months ended 31 July 2018, which represented less than 0.1% of the total revenue of our Group in each of the respective years or period. One of them was also one of our Group's five largest customers for the year ended 31 March 2017. To the best of the knowledge and belief of our Directors after making all reasonable enquires, save as aforesaid, all of our Group's five largest customers during the Track Record Period are Independent Third Parties. None of our Directors or any Shareholders, who owns more than 5% of the share capital of our Company as at the Latest Practicable Date, nor any of their respective associates had any interest, directly or indirectly, in any of our five largest customers during the Track Record Period.

For the year ended 31 March 2017 and the year ended 31 March 2018, one of our bulk-sales customers ("**PRC Bulk-Sales Customer**") which total purchases in such years amounted to approximately HK\$0.2 million and HK\$0.3 million was licensed by our Group to register our trademark " ("**Subject PRC Trademark**") in the PRC and to use the Subject PRC Trademark to operate online sales in the PRC for the period between 12 August 2015 to 5 September 2017 pursuant to a cooperation agreement entered into between our Group and the PRC Bulk-Sales Customer in August 2015. Following the termination of the operation of the cooperation agreement in 2017, the licence to use the Subject PRC Trademark granted to the PRC Bulk-Sales Customer was terminated simultaneously. The legal title of the Subject PRC Trademark was transferred to our Group in October 2017.

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During the Track Record Period, our Group did not have any material disputes with our customers or face any major return of defective products from our customers.

OUR SUPPLIERS

We believe that the capability in maintaining a quality, trendy and broad appeal product mix in our retail stores with competitive prices is one of the key factors of success in the leisure food retail market. In order to keep abreast of information on new products available in the international market, we on one hand generally maintain stable business collaborative relationships with our existing suppliers for regularly reviewing new brand and products available in the market countries around the world and on the other hand attending major international trade shows and business missions for identifying new brand owners, manufacturers, distributors and trading companies. The management of our Group has formulated and implemented a suppliers' recognition procedure to select suppliers eligible to enter into our Group's supply chain. We adopt stringent selection criteria on approving new suppliers. Generally, new suppliers are required to provide documents on their trading history and the relevant food safety and/or manufacturing quality assurance certifications (if available). Please see the list of certifications normally provided by our suppliers to us in relation to the food safety and quality manufacturing process set out in the paragraph headed "Quality control – Selection of suppliers" in this section.

It is our Group's business strategy that new brands and new products will be seamlessly supplied in our retail stores so as to continuously attract the customers' awareness of the abundant supply of varieties of new products and achieve the purpose of uplifting our brand awareness (Best Mart 360° 優品 360°) in the market.

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For each of the year ended 31 March 2016, 2017 and 2018 and for the four months ended 31 July 2018, the total purchases from our Group's five largest suppliers in aggregate accounted for approximately 38.0%, 37.4%, 35.8% and 29.2% respectively of our Group's total purchase, and our largest supplier accounted for approximately 10.4%, 11.2%, 8.9% and 8.5% respectively of our Group's total purchases. During the Track Record Period, our Group sourced our products from brand owners, manufacturers, distributors, and trading companies all over the World. To the best of the knowledge and belief of our Directors after making all reasonable enquiries, all of our Group's five largest suppliers during the Track Record Period are trading companies. The table below sets forth the background information of our five largest suppliers based on the ranking in respect of the purchases incurred by our Group and their respective percentages of purchases of our Group during the Track Record Period:

Rank	Name of supplier	Country of origin	Principal business	Principal products purchased by our Group (Note 1)	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical payment term	Payment method	Approximate total Purchases HK\$'000	Approximate Percentage of our Group's total purchase %
<i>For the year ended 31 March 2016</i>									
1	Supplier A	Hong Kong	Trading company	Full range of our products (excluding personal care products)	1	Payment on delivery	Cheque	36,834	10.4
2	Supplier B	Japan	Trading company	Full range of our products (excluding nuts and dried fruits)	3	30% deposit and 70% upon issue of bill of lading	Telegraphic transfer	33,699	9.5
3	Supplier Group C (Note 2)	Hong Kong	Trading company	Confectioneries, packaged bakery products and snack and beverages and wine	4	20% deposit and 80% before delivery	Telegraphic transfer	27,204	7.7
4	Supplier D	Hong Kong	Trading company	Full range of our products	5	Full payment before delivery	Cheque and telegraphic transfer	20,217	5.7
5	Supplier E	South Korea	Trading company	Full range of our products	4	50% deposit and 50% upon issue of bill of lading	Telegraphic transfer	16,840	4.7
Total:								134,794	38.0

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Rank	Name of supplier	Country of origin	Principal business	Principal products purchased by our Group <i>(Note 1)</i>	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical payment term	Payment method	Approximate total Purchases <i>HK\$'000</i>	Approximate Percentage of our Group's total purchase %
<i>For the year ended 31 March 2017</i>									
1	Supplier B	Japan	Trading company	Full range of our products	3	30% deposit and 70% upon issue of bill of lading	Telegraphic transfer	56,039	11.2
2	Supplier F <i>(Note 3)</i>	United States	Trading company	Full range of our products	1	Full payment before delivery	Telegraphic transfer	47,115	9.4
3	Supplier G	Hong Kong	Trading company	Full range of our products	2	40 days from issue of bill of lading	Telegraphic transfer	33,229	6.6
4	Supplier H	Denmark	Trading company	Confectioneries, grains and miscellaneous food products	3	25% deposits and 75% before shipping	Telegraphic transfer	29,532	5.9
5	Supplier E	South Korea	Trading company	Full range of our products	4	50% deposit and 50% upon issue of bill of lading	Telegraphic transfer	21,464	4.3
Total:								187,379	37.4

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Rank	Name of supplier	Country of origin	Principal business	Principal products purchased by our Group <i>(Note 1)</i>	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical payment term	Payment method	Approximate total Purchases <i>HK\$'000</i>	Approximate Percentage of our Group's total purchase %
<i>For the year ended 31 March 2018</i>									
1	Supplier I	United States	Trading company	Full range of our products (excluding beverages and wine)	1	Full payment before delivery	Telegraphic transfer	65,724	8.9
2	Supplier J	Hong Kong	Trading company	Confectioneries, packaged bakery products and snacks, grains and miscellaneous food products, beverages and wine	3	Full payment 7 – 14 days before arrival of Hong Kong	Telegraphic transfer	61,619	8.4
3	Supplier B	Japan	Trading company	Full range of our products (excluding nuts and dried fruits)	3	30% deposit and 70% upon issue of bill of lading	Telegraphic transfer	54,851	7.4
4	Supplier G	Hong Kong	Trading company	Full range of our products	2	40 days upon issue of bill of lading	Telegraphic transfer	52,309	7.1
5	Supplier F <i>(Note 3)</i>	United States	Trading company	Full range of our products	1	Full payment before delivery	Telegraphic transfer	29,517	4.0
Total:								<u>264,020</u>	<u>35.8</u>

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Rank	Name of supplier	Country of origin	Principal business	Principal products category purchased by our Group <i>(Note 1)</i>	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical payment term	Payment method	Approximate total Purchases <i>HK\$'000</i>	Approximate Percentage of our Group's total purchase %
<i>For the four months ended 31 July 2018</i>									
1	Supplier G	Hong Kong	Trading company	Full range of our products	2	40 days from issue of bill of lading	Telegraphic transfer	21,068	8.5
2	Supplier B	Japan	Trading company	Full range of our products	3	30% deposit and 70% upon issue of bill of lading	Telegraphic transfer	17,193	6.9
3	Supplier I	United States	Trading company	Full range of our products (excluding beverages and wine)	1	Full payment before delivery	Telegraphic transfer	16,985	6.9
4	Supplier J	Hong Kong	Trading company	Confectioneries, packaged bakery products and snacks, grains and miscellaneous food products, beverages and wine	3	Full payment 7-14 days before arrival of Hong Kong	Telegraphic transfer	8,673	3.5
5	Supplier K	Hong Kong	Trading company	Confectioneries, packaged bakery products and snacks, grains and miscellaneous food products, beverages and wine	4	50% deposit and 50% upon issue of bill of lading	Telegraphic transfer	8,324	3.4
Total:								72,243	29.2

Notes:

1. Full range of our products represented all seven product categories our Group is selling, namely (i) confectioneries; (ii) packaged bakery products and snacks; (iii) nuts and dried fruits; (iv) grains and other miscellaneous food products; (v) beverages and wine; (vi) personal care products; and (vii) other products
2. To the best of the knowledge of our Directors, Supplier Group C consisted of two suppliers which were wholly owned by the same shareholder and therefore we treat them as one supplier.
3. Supplier F is a company incorporated in the United States that was engaged by us for sourcing services from the United States for the period between September 2016 and July 2017. In addition to the payment of products procured by Supplier F on order-by-order basis, we also paid monthly procurement fee of US\$4,000 to Supplier F.

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During the Track Record Period, we had made purchases from an associate of our chief executive which in aggregate amounted to approximately HK\$65,000 in the year ended 31 March 2017 and approximately HK\$2,000 in the year ended 31 March 2018, accounted for less than 0.1% of the total purchases of our Group for the respective years. To the best of the knowledge and belief of our Directors after making all reasonable enquiries, all of our five largest suppliers during the Track Record Period are Independent Third Parties, and none of our Directors or any Shareholders, who owns more than 5% of the share capital of our Company as at the Latest Practicable Date, nor any of their respective associates, had any interest, directly or indirectly, in any of our five largest suppliers during the Track Record Period.

During the Track Record Period, we made certain bulk-sales to some of our five largest suppliers. The total amount of the relevant bulk-sales to and the total amount of purchases from such suppliers are as follows:

Name of Supplier	Bulk-sales to suppliers								Gross profit of the bulk-sales				Purchases from the relevant suppliers							
	for the year ended 31 March				for the four months ended 31 July				for the four months ended 31 July				for the four months ended 31 July							
	2016		2017		2018		2018		2016		2017		2018		2016		2017		2018	
	% of total		% of total		% of total		% of total		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Supplier D	316	0.1	-	-	-	-	-	-	40	-	-	-	20,217	11,476	2,563	166				
Supplier G	-	-	236	0.1	-	-	-	-	-	8	-	-	15,160	33,229	52,309	21,068				
Supplier Group C	241	0.1	150	0.0	-	-	-	-	4	22	-	-	27,204	1,034	12,908	4,173				
Total	557	0.1	386	0.1	-	-	-	-	44	30	-	-	62,581	45,739	67,780	25,407				

The total amount of bulk-sales to such suppliers amounted to approximately HK\$0.6 million, approximately HK\$0.4 million, nil and nil for each of the three years ended 31 March 2018 and for the four months ended 31 July 2018, representing approximately 0.1%, 0.1%, nil and nil of the total revenue of our Group for the respective years or period while the total purchases from such suppliers amounted to approximately HK\$62.6 million, HK\$45.7 million, HK\$67.8 million and HK\$25.4 million, representing approximately 17.6%, 9.1%, 9.2% and 10.3% of the total purchases of our Group for the respective years or period. During the Track Record Period, such suppliers which also purchased from us were trading companies in the industry which also sourced for other market participants. They made purchases from our Group on an order-by-order basis. We occasionally attended to the requests for the sales to such suppliers if we have sufficient stocks for sales in our retail stores, generally with certain bulk-purchase discounts on our retail prices offered to them on case-by-case basis. Our Directors had confirmed that all of such suppliers are Independent Third Parties and all of the transactions with such suppliers were conducted on arm's length basis.

We generally do not enter into any distributorship agreement or purchasing agreement with most of our suppliers for the purchase of third party brand products which we sell to our customers. In general, we would simply place orders with our suppliers by way of a purchase order on an as-needed basis, who

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would then issue the relevant invoices to us which together constitute our contracts with the suppliers. Our purchase orders set out, among other things, the product specifications, quantity required by us, unit price of the product, place of delivery, credit terms (if applicable) and the warranties and representations provided by the suppliers for assuring, inter alia, the legality, the quality and the composition of the products supplied which form parts of our purchase orders and binding on both parties.

Notwithstanding that we do not generally enter into distributorship agreement or purchasing agreement with most of our suppliers, we had, during the Track Record Period, entered into certain legally binding exclusive or non-exclusive distributorship agreements with our suppliers that are brand owners or distributors by taking into consideration of certain factors as set out in the paragraph headed “Business model and operations – Procurement of products and formulation of marketing plan” in this section. Apart from Supplier E, none of these suppliers are our five largest suppliers during the Track Record Period. The table below sets forth the brief particulars of the existing distributorship agreements entered into by our Group as at the Latest Practicable Date:

Nature of distributorship agreement	Capacity of Supplier	Products purchased by our Group	Principal terms
<i>Exclusive distributorship</i>			
Exclusive agency agreement	Supplier S (Brand owner)	Roasted cashews	<ol style="list-style-type: none"> 1. The initial contract commenced from 1 April 2015 for a term of 18 months which automatically continues if the parties had no objection. The parties signed a new exclusive agency agreement dated 11 December 2017 for an initial period of 12 calendar months commenced from the date of signing, which upon expiry shall automatically continue if the parties had no objection 2. Exclusive territory: Hong Kong 3. Minimum sales quantity in 12 months under the new exclusive agreement dated 11 December 2017: not less than 150,000 kg, if our Group did not reach the minimum sales quantity requirement, the Supplier may unilaterally terminate the agreement. The Supplier has subsequently confirmed on 2 February 2018 that our Group does not have any obligation if the sales target is not achieved

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Nature of distributorship agreement	Capacity of Supplier	Products purchased by our Group	Principal terms
Exclusive sales agreement	Supplier E (Distributor in the region of Taiwan, Hong Kong and Macau)	Wet tissues	<ol style="list-style-type: none"> 1. The initial contract term commenced from 3 March 2017 and expiring on 1 March 2019, the contract will be automatically extended if neither party has any changes to the agreement 2. The agreement may be terminated by 3 months' notice from one party to the other party
Exclusive distributor agreement	Supplier T (Brand owner)	Almonds, Nut Mix, Pistachios, Macadamia, Walnuts and Cashews	<ol style="list-style-type: none"> 1. The initial contract commenced from 3 January 2017 for one year, which was renewed for a further period of one year commenced from 3 January 2018 2. Exclusive territory: Hong Kong
Exclusive Distribution Agreement	Supplier U (Brand owner)	Chocolates	<ol style="list-style-type: none"> 1. The initial contract term commenced from 1 January 2018 for a term of one year expiring on 31 December 2018 2. Contracted territory: Hong Kong 3. The parties agreed an annual sales target. If the agreed target is not met, the supplier does not have the right to make any claims against our Group, but the supplier may terminate the agreement upon one month's notice

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Nature of distributorship agreement	Capacity of Supplier	Products purchased by our Group	Principal terms
Exclusive Sales Contract	Supplier V (Brand owner)	Honey citron tea, honey red date tea, honey pear tea and honey ginger tea	<ol style="list-style-type: none"> 1. The initial contract term commenced from 1 April 2018 and expiring on 31 March 2019, and shall be automatically renewed for successive terms of one year, unless terminated by either party by at least 3 months' written notice to the other party 2. Contracted territory: Hong Kong 3. The parties agreed an annual sales target. If the annual sales target is not met, the supplier has no right to claim our Group for any costs, damages and expenses, but the supplier may terminate the agreement by three months' notice
Certification of Exclusive distributor	Supplier W (Exclusive and sole distributor/agent in Hong Kong and Macau)	Rice bran oil	<ol style="list-style-type: none"> 1. The validity period is one year from 1 January 2018 and expiring on 31 December 2018 2. There is a minimum order quantity per order 3. No exclusive territory is stated in the certification
Exclusive Distribution Agreement	Supplier X (Brand owner)	Bakery products	<ol style="list-style-type: none"> 1. The initial contract commenced from 15 August 2018 for a term of one year expiring on 14 August 2019 2. Exclusive territory : Hong Kong

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Nature of distributorship agreement	Capacity of Supplier	Products purchased by our Group	Principal terms
Exclusive Distribution Agreement	Supplier Y (Brand owner)	Dried fruits	<ol style="list-style-type: none"> 1. The initial term commenced from 4 September 2018 for a term of one year expiring on 3 September 2019, which shall be automatically renewed for consecutive terms of one year unless being terminated by either party by at least 3 months' written notice to the other party 2. Exclusive territory: Hong Kong
Exclusive Distribution Agreement	Supplier Z (Brand owner)	Fruit juices	<ol style="list-style-type: none"> 1. The initial term commenced from 5 December 2018 for a term of two years, which shall be automatically renewed for consecutive terms of one year, unless terminated by either party by not less than six months' prior notice in writing to the other party 2. Exclusive territory: Hong Kong and Macau 3. Our Group (as exclusive distributor) is free to determine and/or adjust the sales price
<i>Non-exclusive distributorship</i>			
Agency agreement	Supplier AA (Brand owner)	Nuts, candies, plums, pineapple cakes, sun cakes	<ol style="list-style-type: none"> 1. The initial contract commenced from 1 January 2017 for one year, which was renewed for a further period of one year commenced from 1 January 2018 2. Exclusive territory: Hong Kong

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Nature of distributorship agreement	Capacity of Supplier	Products purchased by our Group	Principal terms
Distribution agreement	Supplier BB (Brand owner)	Chocolate pralines	<ol style="list-style-type: none">1. Contract term: initial term from 1 April 2017 to 31 March 2018 which had been renewed for the period from 1 April 2018 to 31 March 20192. Contracted territory: Hong Kong and Macau3. Our Group (as distributor) is free to determine sales price4. Agreement may be terminated by not less than 3 months' prior written notice by either party

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Nature of distributorship agreement	Capacity of Supplier	Products purchased by our Group	Principal terms
Distribution agreement	Supplier CC (Brand owner)	Chocolates	<ol style="list-style-type: none"> 1. The initial agreement was signed on 15 June 2015 and may be terminated by either party by not less than three month's written notice in advance 2. The parties signed an addendum on 9 January 2018 in relation to the types of chocolate products to be provided exclusively to our Group for the period up to 31 December 2020 3. Contracted territory: Hong Kong and Macau 4. Our Group (as distributor) is free to determine sale prices

PROCUREMENT BY WAY OF PARALLEL IMPORTATION

Following the boom of social media and e-commerce during the past decade that influenced consumers' consumption pattern, the easier access of information leads consumers to have a rising knowledge of products around the world and hence stimulates the demand for various overseas products drastically. To capture the business opportunities arising from the consumers' increasing demand for overseas products, our principal business is focused on offering wide collection of imported prepackaged leisure foods and other grocery products, principally from overseas which are mainly imported into Hong Kong by way of parallel importation that enhances both procurement effectiveness and procurement efficiency that substantially enriching the choices of our products and broadening our product mix and varieties, effectively controlling our procurement costs and facilitating and speeding up the process of introducing products newly launched in overseas markets into Hong Kong.

Since the establishment of our Group in 2013, our Group's products were principally procured from overseas suppliers and importers of overseas products in Hong Kong ("**Parallel-Imported Products Suppliers**"). Such products which amounted to approximately 85.2%, 84.7% and 76.2% of our total purchase of each of the three years ended 31 March 2018 and approximately 64.0% for the four months ended 31 July 2018, were either parallel-imported by our Group directly from such overseas suppliers or purchased from the importers in Hong Kong which is/are not brand owners, manufacturers or Hong Kong licensed distributors. To minimise any disputes arising from allegation of potential claims on infringement of intellectual property rights or trade description issues, we have adopted various precautionary measures. Such precautionary measures include (i) the incorporation of protective terms and conditions in our standard purchase order; and (ii) the adoption of various internal control procedures that would effectively reduce the risk of infringement of intellectual property rights and exposure to trade

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description issues. The protective terms and conditions in our standard purchase order includes, amongst others, various warranties provided by our suppliers on (i) the authenticity and legality of the products supplied; (ii) the conformity with the description on ingredients, composition and materials provided on product packaging; (iii) the accuracy and completeness of the product information including their ingredients, nutrition information, energy values, contents, suitable users, last consumption date, instructions and/or precaution for use, import requirements and trade description; (iv) that there is no infringement of trademark, copyright or other intellectual property rights of the brand owner and/or manufacturer in the sale of products supplied; and (v) that if the products supplied to our Group are procured by the supplier for resale to us, the products supplied have not been repackaged and have not been changed or modified in any respect after being released from the brand owner or its authorised manufacturer(s) up to delivery to us, which will lead to the original conditions of the original genuine products be changed or impaired in any respect(s), and that no change whatsoever has been made which will or may lead to the products becoming infringing products or will lead to any legal dispute on infringement.

Further, we have implemented stringent internal control policies to ensure, among other matters, that:

- (i) the products (including but not limited to parallel-imported products) are legitimately manufactured in the territory from which they are imported and are not counterfeits or pirated goods;
- (ii) the products have been put on the market anywhere in the world (including Hong Kong) by the owner or with his consent when we purchase the products from the authorised dealers outside Hong Kong, manufacturers or trading companies in or outside of Hong Kong;
- (iii) the original condition (including the packing and labelling) of the products has not been changed nor impaired after they have been put on sale by us and thus, the reputation or distinctiveness of the trade marks of the products will not be adversely affected as a result of the sale;
- (iv) our dealings on the products bearing the registered trade marks does not tarnish the reputation or dilute the distinctiveness of the registered trade marks of the products;
- (v) we will not hold out our sale of any parallel-imported products as having been authorised by the trade mark owner or its authorised dealer in Hong Kong or any party with goodwill in Hong Kong in relation to that trade mark when it is not the case; and
- (vi) we will not represent our Group as the authorised dealer of the relevant product in Hong Kong in relation to the parallel-imported products when it is not the case.

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We have also implemented, among others, the following precautionary measures:

- (i) we have established systems for the selection of both suppliers and products, in particular, our suppliers are generally selected on the basis of their background, overall reputation, business turnover, proof of distributorship status, production certificate, hygiene certificate, written authorisation to use trade marks, risk assessment, location of production facility, territories and channels of sale, product portfolio and price competitiveness. Besides, our suppliers will be generally required to provide documentary proof of its right or authority to sell, or (in the case of a manufacturer) the trade mark registration certificate, complete information and/or ingredients of the product, and information regarding the sale by the trade mark owner or with his consent anywhere in the world;
- (ii) our quality control team will make random quality checks of products received upon their arrival to verify the authenticity of the products and to ascertain the quality, condition, packaging, food labelling and warning signs for ensuring both contractual and statutory compliance;
- (iii) prior to the sale of our products, we also undertake periodical and physical checks of our products to ensure the products are of conforming quality and in good condition;
- (iv) it is our policy that we will not import or procure any parallel-imported product(s) that is/are specifically claimed for exclusive distribution in any specific region(s), country or countries that, if imported into Hong Kong, for retail purpose will violate such claim; and
- (v) our Group will at all times ensure that the original condition of the parallel-imported products is not changed or impaired after such products are put on sale and before they are sold by our Group and therefore the reputation or distinctiveness of the trademark of such parallel-imported products will not be adversely affected through our sale of such parallel-imported products.

Having considered the business model and operation of our Group and the above-mentioned precautionary measures adopted by our Group, our Legal Counsels are of the opinion that:

- (i) the current trade mark law in Hong Kong does not prohibit parallel importation in its legislative intent. Generally, the parallel importation of products, the sale of these products and the advertisement of these products are not prohibited under the laws of Hong Kong. In particular, the parallel trading activities will fall under section 20 of the Trade Mark Ordinance which provides exhaustion of rights generally applicable for defending products procured by parallel importation which have been put on the market anywhere in the world by the owner of trade mark or with his consent (whether express, or implied or conditional or unconditional) unless the condition of the product has been changed or impaired after they have been put on the market and the use of the registered trade mark in relation to those product is detrimental to the distinctive character or repute of the trade mark;

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- (ii) as for copyright, the packaging of those parallel-imported products will generally fall within the category of “accessory works” which packages, display or advertisement are usually exempted as an infringement of copyright under Section 35(3) and Section 35(8) of the Copyright Ordinance, and will not trigger claims for copyright infringement;
- (iii) we are not exposed to significant risks of intellectual property rights infringement and such risks (if any) are generally negligible or relatively remote provided that we strictly adhere to the precautionary measures including the internal control policies adopted and implemented by us described above;
- (iv) in case of any unwitting civil claim of infringement of intellectual property rights, the restrictive definition of “infringing copies” and its exceptions, and the above-mentioned precautionary measures will provide basis for reasonable defence to such claim. The warranties provided by our suppliers in the protective terms and conditions set out in our standard purchase order will generally allow us to obtain an indemnity and/or contribution from our concerned supplier;
- (v) in any unwitting prosecution of infringement of copyright (which is the only species of intellectual property right that could be encountered by us in our business operation and that could attract criminal liability), again, the restrictive definition of “infringing copies” and its exceptions, and the strict adherence to the above-mentioned precautionary measures will also provide reasonable defence to such potential claim for criminal liability; and
- (vi) in case of non-conformity of trade description laws in products procured by us under parallel importation, we are able to provide basis for reasonable defence against any prosecution in relation to false trade description and the protective terms and conditions set out in our standard purchase order will also generally allow us to obtain an indemnity and/or contribution from our suppliers concerned.

Based on the legal advice from our Legal Counsels, our Directors considered that there is no material risk of our Group with respect to alleged infringement of intellectual property rights relating to the sale of parallel-imported products procured from the Parallel-Imported Products Suppliers. Since the commencement of the retail business of our Group in July 2013, our Group has not been involved in any litigation for alleged infringement of intellectual property rights in respect of any parallel-imported products procured by our Group. Our Directors believe that even if there is a possibility, as a matter of law, that certain intellectual right proprietors may institute legal proceedings against our Group in respect of the sales of parallel-imported products in Hong Kong and there is risks associated with false trade description on products, the possibility of our Group facing material legal claims and liabilities in these regards are rather tenuous.

SETTLEMENT AND CASH MANAGEMENT

The majority of our customers settle their purchases at our retail stores by cash and credit card. We also receive payment by way of Octopus, cash coupons and redemption of membership reward points.

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The table below sets forth the breakdown of the revenue by types of settlement during the Track Record Period:

	Year ended 31 March						Four months ended 31 July	
	2016		2017		2018		2018	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Cash	288,913	61.1	410,170	59.4	607,153	56.4	189,327	55.9
Credit card (Note 1)	129,280	27.3	173,853	25.2	293,517	27.3	83,425	24.6
Octopus	54,482	11.5	105,357	15.3	171,687	16.0	62,178	18.4
Others (Notes 2, 3 & 4)	156	0.1	614	0.1	3,573	0.3	3,529	1.1
Total	472,831	100.0	689,994	100.0	1,075,930	100.0	338,459	100.0

Notes:

1. The respective amount settled by credit card included settlement by digital wallets bound with credit card.
2. Others include cash coupons and cash dollars redeemed by membership reward points.
3. During the period between February 2018 and April 2018, we had adopted WeChat Pay as a settlement mechanism in certain selected retail stores on trial basis. The total amount of settlement by WeChat Pay during the said trial period amounted to approximately HK\$610,000.
4. From end of June 2018, we had adopted Alipay as a settlement mechanism in all of our retail stores. The total amount of settlement by Alipay during the Track Record Period amounted to approximately HK\$2.5 million. In the long run, we will further explore the feasibility to launch other mobile payments settlement mechanism that has swiftly risen and becomes popular in the market.

Cash and cash management

As we handle a certain amount of cash every day, we have imposed certain measures to prevent misappropriation of cash. We have installed a POS system at each of our retail stores to monitor all orders placed and transactions conducted and concluded at our retail stores. Staff in our retail stores is prohibited from withdrawing cash from the cashier machines to pay for day-to-day expenses. A petty cash of HK\$500 is held separately in each of our retail stores to pay for day-to-day miscellaneous expenses in our retail stores. At the end of each shift, the cashier counts the cash received in the cashier machine during his/her shift and checks the results of his/her count with the sales summary record in the POS system. If the cash count is inconsistent with the record, the cashier is required to investigate the reason for the inconsistency and make a remark of explanation in the daily settlement record to be submitted to the accounting department of our head office. The counted notes and coins are packed in sealed plastic bag with the summary sales record and put in the safe for deposit with bank. The sales amount, cash received and other transactions related information is filled in a daily settlement record by the cashier on duty in each retail store before the retail store is closed every day. Based on the daily report of cash generated from the daily sales in each retail stores which are recorded and available for review in our POS system on real time basis, our accounting department in our head office conducts daily

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reconciliation of cash balance of each retail stores and cross-check the cash balance between the daily records retrieved from our POS system and the bank-in records of cash deposited in the designated bank accounts to ensure that all of the cash generated from each of our retail stores daily had been properly deposited into our designated bank account in the next following business day. In addition, we have installed CCTV surveillance system in all of our retail stores which operates 24 hours.

Further, we have taken out insurance that covers loss of cash kept at each of our retail stores. Our Directors confirm that there was no incident of any material cash misappropriation during the Track Record Period and up to the Latest Practicable Date.

Credit cards

Our retail stores accept credit cards from all major credit card issuers for settlement of purchases. The settlement terms with credit card companies are usually within two business days after the billing date which is also the service rendered date. During the Track Record Period, service charges ranging from approximately 1.3% to approximately 1.4% on the transaction amount were generally imposed by the credit card issuers.

Octopus card

The introduction of Octopus card settlement system expedites the payment settlement and provides an efficient, secure and reliable means to collect payment. We believe that the acceptance of payment by Octopus card can relieve the pressure on staff to deposit cash into banks while offering a convenient and an alternative payment mechanism to our customers. The transaction amount settled by Octopus is usually credited into our designated bank account within two business days after the date of the transaction. For each of the three years ended 31 March 2016, 2017 and 2018 and for the four months ended 31 July 2018, the total service fees paid by us to the operator of the Octopus card amounted to approximately HK\$0.7 million, HK\$1.3 million, HK\$2.1 million and HK\$0.9 million respectively.

Cash coupons

We issue certain cash coupons for coupon sales, promotion campaigns and staff benefits. For coupon sales, we sell cash coupons to corporate entities in Hong Kong, including bank(s), shopping mall(s) and credit card issuing institution(s), which generally offer our cash coupons to their customers or members as benefit, or present the cash coupons to customers for their marketing and promotional purposes. We usually sell cash coupons at full price. Sales discount for coupon sales is only offered when our Group is involved in joint promotion campaigns with another corporate entity. We believe that coupon sales are beneficial for promoting both of our business and brand awareness. Besides, we also issue cash coupons for our promotion campaigns that promote our business and for staff benefits that incentivise our staffs from time to time. Upon the issue of the cash coupons, the relevant amount of the cash coupons is required to be treated under HKFRS as contract liabilities due to coupon holder in our Group's combined statement of financial position until their presentation for redemption or being forfeited upon the expiration of their validity period (which is normally one year). Upon redemption of

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the cash coupons, the corresponding amount of contract liabilities will be recognised as revenue. Any cash coupons which have not been consumed or redeemed before the expiration of their validity period will be recognised as forfeited income in our Group's profits and loss. There was no material forfeiture of cash coupons sold by our Group during the Track Record Period and up to the Latest Practicable Date.

Membership reward points

According to our membership scheme, the reward points accrued by our members from their purchases in our retail stores may be applied as cash dollars for the settlement of their purchases in our retail stores. According to the prevailing terms of our membership scheme, HK\$10 cash dollar is redeemable by every 1,000 reward points ("**Cash Dollar Redemption Rate**"). All of the reward points accrued by our members during each calendar year will be cancelled entirely at the end of each calendar year (i.e. 31 December) if not being redeemed before the end of the corresponding calendar year. It is our Group's accounting practice that those cash dollars redeemable at the Cash Dollar Redemption Rate by the reward points accrued by each of our members and outstanding as at 31 March in each financial year will be treated under HKFRS as contract liabilities due to customers in our Group's combined statement of financial position until their redemption or being cancelled at the end of each calendar year.

PRICING POLICY

We believe that it is essential to maintain steady supply of quality products at competitive price for continuous success of our Group. In determining the retail price of each products, our purchasing team takes into account of various factors such as our procurement costs, our target operating profit margins over each products, general market trends, the popularity, availability and comparability of identical or similar products in the market, the place of origin of the product, purchasing power of our target customers and prices set by our competitors. Except for one retail store located at a traffic hub which we have generally set higher selling prices as compared with our other retail stores, we have adopted the same pricing policy and promotion strategies across all of our Group's retail stores.

Our Directors believe that our pricing strategies allow us to pass on part of the increase in procurement costs and operation costs to our customers. In order to remain profitable and competitive among our competitors, we also conduct regular market price check of identical and similar products offered by our competitors in Hong Kong. In addition to benchmarking against our competitors' pricing, we have and will continue to determine and adjust the prices of our products from time to time in accordance with the prevailing market trends, procurement prices, seasonality and the price strategy as determined by our management.

We believe that our pricing policy helps to create an attractive price-value proposition generally well-received by our customers and enable us to achieve our business objective in to offering "Best Prices" to our customers.

SEASONALITY

Our business is slightly affected by seasonality. We usually record a higher sales revenue during December and January when consumers are keen on consuming leisure foods and gifts for celebrating festive seasons, such as Christmas, New Year and Chinese New Year.

QUALITY CONTROL

We are committed to provide safe and quality products to our customers. To this end, we have implemented standardised quality control procedures for selecting suppliers and products and strictly adhere to such procedures for ensuring the products sourced by us are of quality, safe and suitable for consumption or use and will fully comply with the relevant local laws and regulations for sales in Hong Kong.

During the Track Record Period, and up to the Latest Practicable Date, we did not experience any material incidences in the course of our sales operation nor were there any material claims for personal or property damages or compensation arising from our sales of products.

Selection of suppliers

We maintained a list of suppliers and typically work with trustworthy suppliers possessing with reliable corporate background, trading history and reputation.

We adopt a standardised criteria for evaluating the qualifications of potential suppliers. To be admitted as a supplier of our Group, the potential supplier will be required to provide documents proving its corporate background and relevant certifications or qualifications possessed by the potential supplier for meeting certain international or local standards. Depending on the origins of the potential suppliers and nature of products to be procured, we also require our potential suppliers to provide various kind of certifications for food safety and/or food quality and/or quality manufacturing process of the brand owners and/or manufacturers for the products to be supplied, such as:

HACCP (Hazard Analysis and Critical Control Points)

IFS (International featured standards) Food Version 6

FSSC 22000: Food Safety System Certification

ISO 9001:2015 (Quality management systems)

BRC (British Retail Consortium) Global Standard for Food Safety

In addition, we also require certain suppliers to provide manufacturing and analysis certificates, health certificates, certificates of origin and/or attestations issued by relevant governmental bodies or manufacturers or brand owners in respect of products to be procured by us that provide assurance on overseas regulatory compliance, food or products safety and/or quality manufacturing process of the products to be procured by us.

To ensure that our suppliers are able to maintain satisfactory level of product quality and services from time to time, our purchasing team conducts periodical review on the product quality, services standard and the reputation of our approved suppliers. Our periodical review on the product quality covers our assessment on the appropriateness of packaging of products provided by individual approved suppliers on their arrival, the consistency on quality between sample products and products ordered and

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delivered, any quality issue(s) on products provided by individual approved suppliers and its/their nature and materiality of such issue(s) and the overall satisfactory level on the quality of products provided by individual approved suppliers collected by our customer services from customers' suggestion and feedback, if any. It is our policy that those suppliers that are unable to meet the guiding standards for periodical review will be encouraged to take necessary remedial measures to cure the impediments for our continuous procurement or they will be removed from our list of suppliers until appropriate remedial measures are taken to our satisfaction.

Selection of products, quality check and products labelling

We place strong emphasis on ensuring that our products meets our quality and safety standards and will be in full compliance with food safety, food labelling and consumer goods safety related laws and regulations in Hong Kong. Please see paragraphs headed "Laws and regulations in relation to food safety" and "Laws and regulations in relation to retail business" in the section headed "Regulatory Overview" of this prospectus for details. To this end, we request our suppliers to provide detailed products information for all products intended to be procured by us, including detailed ingredient or composition lists of products, nutrition value, expiry dates and other information to be contained in food labels and nutrition labels (for food products) or caution statement (for non-food products) for our quality control team's assessment. Although we do not conduct any third party laboratory testing to check the composition of products intended to be procured by us, our quality control team reviews all products information provided by our suppliers and assess if the additives and/or contaminants contained in the products intended to be procured by us comply with the relevant Hong Kong laws and regulations before placing purchase orders. In addition, all of our suppliers are required to warrant the accuracy and completeness of such products information that are essential for us to assess the safety and quality of the target products and for us to preparing the necessary food labels, nutrition labels and/or caution statement for the target products, as appropriate, in compliance with the relevant laws and regulations in Hong Kong. Apart from the products that already consists of law and regulations compliant labels information printed on their packages and the products with laws and regulations compliant labels affixed by our suppliers (collectively "**Products with Original Labels**") before such products are delivered to us, we prepare the relevant products labels for products that are delivered to us without affixing the laws and regulations compliant labels for our self-affixation in our warehouses ("**Products with Self-Created Labels**") in accordance with the products information provided by our suppliers in the above-mentioned product quality assessment process which accuracy and completeness have been generally warranted by our suppliers. Generally, we unbox the Products with Self-Created Labels and affix relevant labels on individual products as soon as practicable upon their delivery to our warehouses and in any event, before such products are being stored in the designated location of our warehouses tracked and monitored under our WMS system. In certain circumstances where such products are vulnerable for unboxing before storage and/or transportation to our retail stores or are required for prompt stock replenishment in our retail stores that will be delivered to our retail stores directly without warehousing storage, we attach the bags of relevant labels on the external carton boxes of such products so as to facilitate our staff in retail stores to accurately and conveniently affixing the applicable labels on such products at our retail stores in an efficient manner before such products are put on shelves of our retail stores.

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Our logistics team stationed in our warehouses performs designated check procedures upon delivery of products to our warehouses before the products are entered into inventory lists of our POS system. These quality checks, include checks on brand name, quantity ordered, barcode of products, product appearance, smell, packaging, date of expiry and net weight. For Products with Original Labels, our logistic team is also responsible to check the inclusion of printed label information on their packages or the status of affixation of applicable product labels on such products. After our products are delivered to our retail stores for sale, our store manager is responsible to supervise our front-line sales staff to conduct regular checks on our in-store products so as to maintain the safety and quality of our in-store inventory and to ensure relevant product labels are duly affixed.

To persistently safeguard the quality of products offered to our customers, we also implement extraordinary quality checks for specific products that, based on our experiences, are vulnerable to various quality influential factors, such as storage temperature, packaging method and standard and nature and substances of products, notwithstanding that the specific products are not expired yet. Our purchasing team is responsible to prepare a stock list for such specific products monthly and to direct our logistics team in our warehouses to perform the monthly extraordinary quality checks on specific products. If quality irregularities on the selected specific products are discovered, all of our retail stores will be notified to perform in-store check on such specific products and if similar quality irregularities are recognised in our retail stores, it is our policy that all of the concerned products will be off-shelved immediately. Besides, our logistics team in our warehouses is also responsible to monitor and record the temperature of the cold storage section of our warehouses to prevent any quality issues arising from unexpected or accidental changes or fluctuations of temperature in the cold storage section of our warehouses and to report to our purchasing team the temperature records that assist our purchasing team to assess if any contingent extraordinary quality checks on specific products are necessary.

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CUSTOMER SERVICES

Given that our Group is engaged in a consumer-driven business, customer suggestion and feedback are crucial for us to continuously improve the quality of our products and services standard which are important gears for our business growth. Hence, we treat customer feedback seriously.

Generally, we collect customer suggestion and feedback through our customer service hotline, email, mailing to our head office, Facebook inbox enquiries, instore customer feedback or complaints. All of such suggestion and feedback will be recorded in customers feedback reports and conveyed to our operation team in our head office for deliberation and handling. Our operation team are responsible to assess the nature of suggestion and feedback and for those complaints made by customers, to investigate the facts associated with such complaints by communicating with the relevant area manager or area supervisor, store manager and/or staff and the concerned customers generally within 24 hours. For a typical case of complaint, we usually complete the necessary investigation procedure and give official reply to the concerned customers within 14 days from the date of receipt of feedback and complaints. If the complaints are substantiated, we usually offer appropriate solutions including, subject to the approval of area manager of the operation team, offering refund or compensation to our customers. Complaints received are promptly and properly recorded. Complaints with possible significant impact will be reviewed and discussed by our operation team in head office, area managers and area supervisors so as to formulate necessary precautionary measures for preventing re-occurrence of similar incidents in the future and strengthening the quality of our products, our services standard and our staff training.

During the Track Record Period, we received certain complaints from our customers mainly relate to products description, product quality, staff services and/or requests for refund or exchange. All of such complaints were immaterial and did not have any material adverse impact on our Group or our business operation. Our Directors believe that it is not uncommon for the market players in retailer sector to face different nature of feedback and complaints from consumers from time to time that are not necessarily indicative to any critical issue with our products quality or our services standard. However, our Directors are of the view that such feedback and complaints heighten our awareness in customers' expectation on product quality and our services standard and assist us in continuously uplifting our product quality and our services standard.

While we do not offer any product warranty for our products, to ensure our customers are satisfied with our services, we generally accept returns or exchanges for defective or damaged products or products with quality issue(s) within reasonable time of purchases from our retail stores. In rare circumstances of quality issues or other irregularities in products originated from manufacturing processes or other defaults of our upstream suppliers, we would be responsible to recall problematic products sold to our customers and seek reimbursements on product procurement costs and expenses incurred in such recall actions from the relevant suppliers of the problematic products. Please see the recall incidents experienced by us during the Track Record Period set out in the paragraph headed "Food safety concerns" in this section.

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During the Track Record Period, we did not experience any material claim for product returns or exchanges due to product quality defects or damages or any related product liability claims. Our rate of returns or exchanges of products during the Track Record Period was immaterial.

No provision was made during the Track Record Period for product recalls, product returns or exchange or product liability claims.

FOOD SAFETY CONCERNS

Radiation control on the import of food products from Japan

During the Track Record Period and up to the Latest Practicable Date, our Group imported various products, such as confectioneries and bakery products originated in Japan. For the three years ended 31 March 2016, 31 March 2017 and 31 March 2018 and for the four months ended 31 July 2018, the procurement of such Japanese originated products accounted for approximately 13.5%, 17.6%, 16.1% and 19.6% of our total purchase.

Following the accident at the Fukushima nuclear plant incident in March 2011, the Centre for Food Safety (“CFS”) of FEHD in Hong Kong has taken various measures to monitor and ensure no radiation contaminated food products imported from Japan are entered into Hong Kong market. Since March 2011 and up to the Latest Practicable Date, for every batch of food products imported from Japan, CFS has been conducting sample tests on the radiation levels. Hence, we are required to report every consignment of products directly imported from Japan by our Group to the Radiation Inspection Office (“RIO”) of FEHD, and radiological testing on such products will then be arranged by RIO. The consignments will be screened by hand-held survey meters for surface radioactive contamination and samples will be taken randomly by CFS for radiation level examination in its office. CFS will inform our Group in writing the results of the radiation level examination for the relevant consignment, and only consignments which have passed the radiation level examination will be released by us for sale in our retail stores. During the Track Record Period and up to the Latest Practicable Date, none of our products imported from Japan had been testified as being contaminated by radiation.

Immaterial food safety incidents

During the Track Record Period, we were involved in certain immaterial food safety incidents.

Snickers Recall Incident

On 23 February 2016, an international voluntary recall of a range of chocolate bars, including Mars, Milky Way, Snickers, Celebrations and Mini Mix from 55 countries, was announced by an international confectionary enterprise, i.e. Mars, as a precautionary measure after a physical contaminant was found in a piece of Snickers bar bought in Germany on 8 January 2016. On 3 March 2016, CFS received notification from the Rapid Alert System for Food and Feed of the European Commission that a batch of 135 packs affected Snickers 7-pack mini was imported into Hong Kong by our Group. Upon receipt of notification from CFS, our Group commenced prompt suspension of sale of the affected Snickers and attempted to recall the sold affected Snickers from our customers by issuing recall notice. All of the unsold and recalled affected Snickers were subsequently destroyed in June 2016 under the instructions of Mars and the direction of CFS.

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Our Group was able to obtain full refund for the unsold affected Snickers and the recalled affected Snickers, the cost for recall and the costs of destruction of such affected products from our supplier of such affected products. As the recall was an international voluntary recall by the manufacturer and no claim or dispute had been received by our Group in relation to the affected Snickers sold, our Directors believe that the Snickers recall incident (i) would not have any material impact on our business operation and financial performance, and (ii) had no material adverse impact on the reputation of our Group.

Dried Mangoes Recall Incident

In October 2017, our Group was notified by CFS that on the examination of a sample of prepackaged dried mangoes taken from our retail store, the permitted preservative “Sulphur Dioxide” which was detected in the analysis of the said dried mangoes, was not listed in the list of ingredients in the food label of the dried mangoes in contravention to the requirements under Food and Drugs (Composition and Labelling) Regulations (Chapter 132W of the Laws of Hong Kong). Further, the false claim in the food label of the dried mangoes that the dried mangoes contain no preservatives contravened Section 61 of the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong).

The affected dried mangoes were manufactured and prepackaged by its manufacturer in Taiwan and distributed by its authorised distributor in Hong Kong from which we sourced the affected dried mangoes. The ingredients and food labels which proclaimed to have complied with the Food and Drugs (Composition and Labelling) Regulations were affixed on the products by its distributor in Hong Kong. Based on the material facts of the incident, (i) we purchased the affected dried mangoes as being an article which could lawfully be sold with list of ingredients and food labels already affixed to the packaging and properly invoiced; (ii) we simply relied on the product information supplied by its authorised distributor and had no reason to believe that the subject labels affixed by its authorised distributor contained false claim on the product ingredients; (iii) we had not repackaged the affected dried mangoes and had not tampered with the packaging or labels affixed on the packaging of the affected dried mangoes; and (iv) we had taken all reasonable precautions and exercised all due diligence in checking the compliance of the relevant legal requirements on food labelling, our Directors believe that we have reasonable grounds to defend the alleged contravention pursuant to the relevant legislations on the part of our Group. In fact, our Group was eventually invited to assist CFS on prosecution against third party, such as distributor, manufacturer etc, by acting as prosecution witness in relation to the incident.

Upon receipt of notification from CFS, our Group promptly suspended the sale of such affected dried mangoes in our retail shops and returned all unsold affected dried mangoes to its authorised distributor in Hong Kong. Our Group was able to obtain full refund for the unsold dried mangoes from its authorised distributor in Hong Kong. As there had been no claim or dispute received by our Group in relation to the affected dried mangoes sold and our Group was invited by CFS to act as prosecution witness in the prosecution against the distributor or manufacturer of the affected dried mangoes, our Directors believe that the dried mangoes recall incident (i) would not have material impact on our business operation and financial performance, and (ii) had no material adverse impact on the reputation of our Group.

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Other immaterial non-compliance incidents

Set out below is a summary of certain incidents of immaterial non-compliance relating to food quality or food labels during the Track Record Period.

Particulars of non-compliance	Reasons for the non-compliance	Remedial actions	Potential maximum penalty/fine	Analysis of the risk to our Group
<p>During the Track Record Period, there were 18 incidents of non-compliance in relation to food safety, including six incidents in relation to food quality and twelve incidents in relation to food labelling.</p>	<p>For incidents in relation to food quality, the products were manufactured and packaged by manufacturers, and our operating subsidiary, Ciao International, did not repack the product and did not modify nor tamper with the packaging of the products. The reason for certain food products to spoil before their expiry dates is unknown.</p> <p>For incidents in relation to food labelling, due to certain inadvertent human errors of our staff in retail stores who were primarily responsible for affixing food labels, food labels had not been properly affixed on certain products at our retail stores occasionally before being put on shelves despite clear guidelines and direction on affixing labels had been given to all of our staffs in retail stores.</p>	<p>We had implemented routine monthly quality examination on various quality susceptible food products based on our experience and with reference to the assessment of our quality assurance officer to control the risk of outflow of spoiled products from our warehouses and our retail stores.</p> <p>We had improved our products label affix process to minimize the risk of inadvertent human errors in affixing labels, in particular, by substantially centralise and systemise the labels affix procedures in our warehouses and adopt certain convenient measures to facilitate label affix process in our retail stores in case of certain labels have to be affixed in our retail stores. Please refer to details of such products labeling procedures adopted by us in “Business-Quality control-Selection of products, quality check and products labeling” in this prospectus.</p>	<p>Under Public Health and Municipal Services Ordinance, any person who contravenes section 52 shall be guilty of an offence and on summary conviction subject to a fine of HK\$10,000 and to imprisonment of 3 months.</p> <p>Under Food and Drugs (Composition and Labelling) Regulations, any person who contravenes Schedule 3 or Schedule 5 shall be guilty of an offence and on summary conviction subject to a fine of \$50,000 and to imprisonment of 6 months.</p>	<p>As advised by our Legal Counsels, there is a time limited of six months imposed for the prosecution of summary offences, such that seven out of 18 incidents for which six related to food quality and one related to food labelling were likely to be time-barred, and the risk of criminal penalties to Ciao International is nil.</p> <p>For nine out of 18 incidents which were all related to food labelling, Ciao International was sentenced and relevant penalties for the aggregate sum of approximately HK\$120,000 had been properly and duly settled by Ciao International. As advised by our Legal Counsels, the risk of further criminal sanctions is non-existent.</p> <p>As advised by our Legal Counsels, for one of the 18 incidents related to food labelling, since Ciao International was informed and/or confirmed by the relevant government department that no prosecution will be taken against Ciao International, our Legal Counsels considered the risk of criminal penalties to Ciao International is negligible.</p> <p>For one out of 18 incidents (i.e. the dried mangoes recall incident), based on the fact and circumstance of the incidents, as advised by our Legal Counsels, the risk of prosecution or Ciao International being sued by the customer is low.</p>

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Our Directors considered that the 18 non-compliant incidents did not fall under the description of “Systemic Non-compliances” pursuant to Guidance Letter HKEX-GL63-13 based on the following reasons:

(1) *Non-repetitive and discontinued breaches*

Our Group has policy and procedures in place to prevent non-compliance with similar nature as the 18 incidents in relation to food safety during the Track Record Period. However, given that the huge amount of products handled and sold during the Track Record Period of more than 112.8 million products, it is inevitable to have occasional and/or inadvertent human error. The 18 incidents represented minimal error rate, which demonstrated that the 18 incidents were isolated cases and non-repetitive nature, and the internal control system of our Group was in place in the material time to have a very high success rate, which is relatively effective.

(2) *Nature and materiality of non-compliances*

The materiality and nature of such non-compliance incident should not be over-estimated or over-emphasised. Out of the 18 non-compliances, seven of such non-compliances had been time-barred without further action from the relevant regulatory body, while the rest of two non-compliances had been reckoned by the regulatory body as not being principally responsible by the Group (including the dried mangoes recall incident). Furthermore, nine of such non-compliances (which were all related to food labelling for which relevant penalties had been duly paid) were not subject to any follow up action or enforcement action by the regulatory body. Hence, such non-compliances were either not of material nature or not principally liable by our Group from the perspective of the regulatory body.

(3) *Unintentional breaches/no indication of material flaw on internal control system*

For non-compliances related to food quality that involved complaints on spoiled or suspected spoiled food products, as all of our Group’s products were manufactured and prepackaged by the manufacturers that our Company did not have any involvement in the production or repacking or modifying or tampering with the packaging of the products, the reason for certain food products to spoil before their expiry dates is unknown and, to a considerable extent, uncontrollable by our Group despite random quality check had been conducted by our Group upon delivery of the products in the past.

For non-compliances related to food labelling, inadvertent human error is the principal reason for such non-compliances. Despite clear guidelines and direction on affixing labels had been given to all of the front line staffs in the retail stores who were then primarily responsible to affix food labels on products before putting the products on shelves, due to inadvertent human errors, certain food labels were not properly affixed in the retail stores occasionally as per our Group’s guidelines and direction.

In the above circumstances, such non-compliances were unintentional and should not be regarded as any indication of material flaw of the internal control system of the Group.

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In light of the above basis, the non-compliant incidents are considered to be immaterial and non-systemic non-compliances. Our Directors are of the view that the non-compliances did not reflect negatively our Company's or our Directors' ability or tendency to operate in a compliant manner.

Internal control measures taken to prevent recurrence of non-compliant incidents and to address food safety concern

The management of our Group has implemented certain internal control policies and taken various remedial measures and precautionary actions to substantially preventing our Group from the recurrence of similar non-compliances or related complaints in respect of food quality or food labels and to ensure that our prepackaged food products as fit and safe for consumption. Such measures and actions include:

- (1) to continuously uplift our Group's ability to identify potential product quality issues and to safeguard our Group's from the operational risks associated with product quality, our Group has employed a quality assurance officer to monitor and review food safety and quality management system and labelling system and ensuring compliance with the relevant statutory and regulatory requirements on food safety and quality control;
- (2) as regard to food quality control and food safety:
 - (i) we have adjusted a standardised criteria for evaluating the qualifications of potential suppliers and the potential suppliers will be requested to provide various kind of certifications for food safety, food quality and/or quality manufacturing process of the brand owners and/or manufacturers for the products to be supplied;
 - (ii) our suppliers are requested to provide detailed ingredient or composition list of products and other information to be contained in food and nutrition labels for products intended to be procured by us and our quality control team will assess if the additives and/or contaminant contained in the products comply with the relevant Hong Kong laws and regulations;
 - (iii) upon delivery of products to our warehouses, our logistics team will perform quality check, including checks on product appearance, packaging and date of expiry before the products are entered into the inventory lists of our POS system. Our front-line sales staff will also conduct regular checks on our in-store products to ensure the safety and quality of our in-store inventory;
 - (iv) products that are vulnerable to fluctuations in temperature are required to be transported by trucks with cold storage section during the summer season;
 - (v) our logistics team will monitor and record the temperature of the cold storage section of our warehouses for products that are required to be stored in the cold storage section of our warehouses; and

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- (vi) with the assistance of the quality assurance officer, our Group had implemented routine monthly quality examination on specific food that are vulnerable to various quality influential factors such as storage temperature, packaging method and nature and substance of products based on our Group's experience and with reference to the assessment and suggestion of our quality assurance officer so as to control the risk of outflow of spoiled products from our warehouses and our retail stores.

For further details of the quality control procedure adopted by us, please refer to the paragraph headed "Quality Control" in this section.

- (3) as regard to food labelling control, our Group had reformed and improved label affix process to minimise the risk of inadvertent human errors in affixing labels in retail stores, in particular, by substantially centralise and systemise the labels affix procedures in our warehouses and adopt certain convenient measures to facilitate the labels being affix promptly in our retail stores in case of certain labels have to be affixed in our retail stores. Please refer to details of such products labelling procedures adopted by the Group in the paragraph headed "Selection of products, quality check and products labelling" in this section.

As a result of implementing the above internal control policies, measures and/or actions, our Group did not have material non-compliance in relation to food quality or food labels until the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, our Group had not been involved in any material food safety and material food quality incidents, nor did we experience any claims or disputes which had a material adverse effect on our business or results of operations.

INVENTORY MANAGEMENT, WAREHOUSING AND LOGISTICS

Inventory management

We procure products from our suppliers on an as-needed basis. Our purchasing team monitors our products flow and our inventory level on a weekly basis with data generated from our POS system. We prepare sales forecast and stock ordering plan weekly with reference to various factors, such as the inventory level and movement of our products, the expected sales and lead times of each product, the seasonal effects (if any) applicable for purchase order adjustment, the anticipated promotion plan of our products or thematic products activities and the experience of our purchasing team on consumers' preferences and market trend. In order to maintain an optimal level of inventory for supporting our proper business operation and pursuing minimal obsolete or expired inventory, we regularly review, determine and adjust our inventory level from time to time with reference to the historical and recent sales of different products, the historical and recent turnover days for different products and the cost effectiveness for logistics in ordering different products. Further, our logistics team monitors through our WMS system and reports to our purchasing team regularly at the beginning of every calendar month the status of inventories in our warehouses (including stock description, quantities in stock and their respective expiration dates) which will expire within three months from the date of reports so as to allow our

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purchasing team and operation team to assess if the launch of promotion tasks on particular products in stock is necessary for avoiding such products to become obsolete or expired. In addition, our area managers and area supervisors will also report the stock description and quantities in their retail stores with expiry dates before the end of the next calendar month.

Given the wide range of products we offer in our retail stores, we do not have standard inventory retention days for our inventories. Our WMS system has been configured with function to indicate the expiration date of each SKUs and to automatically generate the storage positioning of such inventories with closest expiration dates for the purpose of priority picking and delivering stocks for replenishment which effectively strengthens our inventories control and lessen obsolete and/or expired inventories.

At the retail store level, our POS system allows us to track the sales, inventories level and movement of each SKUs in each of our retail stores on a real time basis. Our POS system also records specific information of our in-store inventory, such as product description, product mix, numbers of products, product prices and sales records in individual retail stores. Each SKU is coded with a unique barcode and details of such items will be displayed on the screens of our check-out counters when secured through a barcode scanner. All information on checked out products is stored in our POS system and is available for review on real time basis. We pre-set inventory maintenance level of each SKU in our retail store which is determined with reference to the different sizes of our individual retail store, the historical and recent store turnover days of a particular SKU and the delivery circle for replenishment for individual retail store. Based on the pre-set inventory maintenance level of each SKU in each retail stores, the automatic stock replenishment function of our POS system places orders for each SKU automatically when the sales data of particular SKU reach the designated replenish level. In addition, our store managers or a staff designated by our store manager of each retail store is responsible to review the orders made by the automatic stock replenishment function for the relevant retail store under our POS system for ensuring timely replenishment of products and if necessary proper manual adjustment of replenishment orders in accordance with the actual sales trend of particular products.

As at 31 March 2016, 2017 and 2018 and 31 July 2018, the balance of inventories amounted to approximately HK\$63.8 million, HK\$92.6 million, HK\$100.2 million and HK\$123.8 million respectively, representing approximately 72.3%, 64.9%, 57.1% and 63.1% respectively of our total current assets for the corresponding year or period end date. The average number of inventory turnover days of our Group (calculated based on average inventories divided by costs of sales times number of days) for the years ended 31 March 2016, 2017, 2018 and the four months ended 31 July 2018 were about 57.6 days, 60.3 day, 48.0 days and 60.7 days respectively. For the three years ended 31 March 2016, 2017, 2018 and the four months ended 31 July 2018, we wrote off inventories of approximately HK\$3.1 million, HK\$4.5 million, HK\$5.3 million and HK\$1.5 million respectively as a result of disposal of damaged or unsold or expired products and stock loss, representing approximately 0.9%, 0.9%, 0.7% and 0.7% of our total cost of sales for the years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018.

Warehousing and logistics

As at the Latest Practicable Date, we entered into four services agreements (“**Warehousing and Logistics Services Agreements**”) and four ancillary deeds of license for procuring warehousing facilities and logistics services (“**Warehousing and Logistics Services**”) provided by an independent logistics company (“**Independent Logistics Company**”). Pursuant to the Warehousing and Logistics Services

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Agreements, we were provided with warehousing facilities in four warehouses premises located in Kowloon Bay, Kowloon, Hong Kong with total saleable area of approximately 11,573.1 sq.m. (each “**Kowloon Warehouse**” and collectively “**Kowloon Warehouses**”). As at the Latest Practicable Date, the products sourced by our Group from our suppliers were mainly stored at the Kowloon Warehouses. Before the engagement of the Warehousing and Logistics Services, we mainly stored our products in a warehouse leased in Kwai Chung (“**Kwai Chung Warehouse**”) between 1 March 2015 to 28 February 2016. During the Track Record Period and as at the Latest Practicable Date, details of our main warehousing premises are set forth below:

Main warehousing premises	Location	Leased/licensed period	Saleable area (sq.m.)	Designated storage capacity (CBM) (Note 3)
Kwai Chung Warehouse	13/F, Watson Centre, No.16-22 Kung Yip Street, Kwai Chung, New Territories, Hong Kong	From 13 May 2014 to 31 May 2016 (Note 1)	1,601.3	4,143.6
Kowloon Warehouse A	9/F, Kowloon Godown, 1-3 Kai Hing Road, Kowloon, Hong Kong	From 1 January 2016 to 31 December 2020 (Notes 1 & 2)	6,110.9	5,752.0
Kowloon Warehouse B	Unit D, 6/F, Kowloon Godown, No.1-3 Kai Hing Road, Kowloon, Hong Kong	From 1 November 2016 to 31 December 2020 (Note 2)	1,939.0	1,830.3
Kowloon Warehouse C	Unit C, 6/F, Kowloon Godown, No.1-3 Kai Hing Road, Kowloon, Hong Kong	From 1 August 2017 to 31 December 2020 (Note 2)	1,584.2	1,541.0
Kowloon Warehouse D	Unit D, 4/F, Kowloon Godown, No. 1-3 Kai Hing Road, Kowloon, Hong Kong	From 16 November 2018 to 15 December 2020 (Note 2)	1,939.0	2,386.8

Notes:

1. We officially relocated our main warehousing premises from Kwai Chung Warehouse to Kowloon Warehouse A on 1 March 2016.
2. The licenses for the use of the Kowloon Warehouses are granted to our Group by a wholly-owned subsidiary of the Independent Logistics Company which is a tenant of the relevant premises of which the Kowloon Warehouses are located. According to the Warehousing and Logistics Services Agreements, the term of the Warehousing and Logistics Services Agreements for Kowloon Warehouses A, B and C may be terminated by a five months’ written notice served by the Independent Logistics Company on our Group after 1 July 2018 for early termination of such agreements, while the term of the Warehousing and Logistics Services Agreement for Kowloon Warehouse D may be terminated by a two months’ written notice served by either party to the other party. In such event(s), the license period for the use of the relevant Kowloon Warehouses will also be early terminated accordingly.
3. Designated storage capacity is the total volume of the relevant warehouse available for storage purpose, and is derived from (i) the actual floor area that had been or has been generally used for storage purpose (“**Actual Storage Floor Area**”) in each of the warehousing premises during the relevant leased period or licensed periods; (ii) the proportional Actual Storage Floor Area designated for the zone for storage and the zone for storage handling inventories in different warehousing premises; (iii) the different height of pallets of inventories adjusted with reference to the height of ceilings of the respective warehousing premises; and (iv) the different stacking up arrangements within different warehousing premises designed in accordance with the height of the ceilings of the respective warehousing premises and the products’ tolerance level to stacking up.

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The table below set out the average storage utilisation rate for our main warehousing premises during the respective periods of its or their utilisation in the Track Record Period:

Main warehousing premises	Relevant period of utilisation	Average Storage Utilisation Rate
Kwai Chung Warehouse	For the period between 1 April 2015 to 29 February 2016	137.0%
Kowloon Warehouse A	For the period between 1 March 2016 to 31 October 2016	80.2%
Kowloon Warehouse A and Kowloon Warehouse B	For the period between 1 November 2016 to 31 July 2017	78.8%
Kowloon Warehouse A, Kowloon Warehouse B and Kowloon Warehouse C	For the period between 1 August 2017 to 31 July 2018	82.2%

Notes:

1. Average storage utilisation rate for a particular period is the mean of the monthly storage utilisation rate during that period.
2. The monthly storage utilisation rate is calculated by dividing the average day-end inventory storage volume balance (in CBM) of a relevant warehouse by the designated storage capacity of such warehouse. The average day-end inventory storage volume balance (in CBM) is calculated using the average day-end inventory balance in terms of number of cartons in the relevant month, times the average volume per carton of approximately 900 SKUs.
3. For the purpose of Note 2 above, “inventory” refers to inventory stored in our warehousing facilities and excludes inventory stored at our retail stores.

Taking into account the historical record of storage utilisation rate in the respective warehousing facilities during their respective periods of utilisation in the Track Record Period, the average storage utilisation rate of our Group for each of the three years ended 31 March 2016, 2017 and 2018 and for the four months ended 31 July 2018 were approximately 132.5%, 76.7%, 83.5% and 83.0% respectively.

During the Track Record Period, apart from storing our products in the main warehousing premises mentioned above, we also leased or licensed short-term warehousing facilities (“**Short-Term Warehousing Facilities**”) for terms normally not more than 5 months, to support the relatively limited storage capacity in the early years of our operation (i.e. for the period before the licence of Kowloon Warehouse) and to cope with the high demand for storage capacity during peak seasons of our retail business (such as Christmas and Chinese New Year) that frequently exceeds the designated storage capacity of our main warehousing premises. In particular, in the early days of the Track Record Period when our Kwai Chung Warehouse was utilised as our main warehousing premises, our average inventory storage frequently exceeded the warehouse storage capacity of Kwai Chung Warehouse, we constantly leased or licensed short-term warehousing facilities to support our warehousing capacity during the corresponding period and stored parts of our inventories in such short-term warehousing facilities. As the average day-end inventory storage volume balance which is used for the purpose of calculating the average storage utilisation rate of Kwai Chung Warehouse also includes the inventory of our Group stored outside Kwai Chung Warehouse (i.e. the Short-Term Warehousing Facilities) during the relevant period, this resulted in over 100% average storage utilisation rate.

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For the years ended 31 March 2016, 2017 and 2018 and for the four months ended 31 July 2018, the fees for Warehousing Facilities (inclusive of both of the fixed rental for the leased warehouse and the fixed storage charges for the licensed warehouses) and the licensed fees for the Short-Term Warehousing Facilities incurred by our Group amounted to HK\$4.1 million, HK\$8.8 million, HK\$11.1 million and HK\$3.9 million respectively.

During the Track Record Period and up to the Latest Practicable Date, we engaged logistics service companies (including the Independent Logistics Company) to provide transportation and logistics services to our Group. Such transportation and logistics services included unloading and collecting products from containers at shipping terminal, airport and warehouse of forwarders appointed by our overseas suppliers and delivering to our warehouses and delivering of products from our warehouses to our retail stores.

We incurred approximately HK\$5.6 million, HK\$6.5 million and HK\$11.2 million respectively for each of the three years ended 31 March 2016, 2017 and 2018 and approximately HK\$4.4 million for the four months ended 31 July 2018 in utilising transportation and logistics services provided by our logistics services providers, which accounted for approximately 5.2%, 4.0%, 4.7% and 5.2% of our total selling expenses for the respective years or period.

In addition, our in-house logistics team is responsible to:

- coordinating the reception of accurate quantity of the products ordered by our purchasing team and delivered to our warehouses
- routinely performing quality control checks of delivered products randomly for defects or damages upon the delivery of orders to our warehouses
- conducting monthly extraordinary quality check on specific products directed by our purchasing team
- executing random quality control checks in accordance with the direction of our head office for ensuring food safety and quality
- monitoring the expiry dates of inventories through WMS system
- printing and affixing food labels on products
- supervising the delivery of our products by the logistics services providers to our retail stores

INFORMATION TECHNOLOGY

We have adopted integrated information technology systems to support major operations of our business, covering procurement, sales, inventory management in both warehouses and retail stores, warehousing and logistics facilities, stock replenishments, membership management, financial data management and other administrative functions. Our major information technology systems include POS system and WMS system.

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Our POS system is installed and implemented mainly for procurement, sales management, inventory management, supply chain management and membership management. Our management is able to review various sales data and other key performance indicators such as stocks description and variety, inventory level and oversees the overall sales performance of each of our retail stores on real time basis that are essential for assessing the marketability of individual products and customer purchasing preferences and trend of our customers that allow our management to make appropriate adjustment on product mix efficiently, setting promotional offer for specific products and update our products' retail prices and promotional offer prices promptly through our POS system. In addition, our POS system is integrated with automatic stock replenishment function for our individual retail stores that performs automatic ordering for our individual retail stores based on our pre-set inventory maintenance level for our individual retail stores and allows our management in head office and front-line sale staff in retail stores to simultaneously monitor the status of stock replenishment which significantly enhance our operational efficiency. Besides, our POS system also supports our daily financial management by providing fundamental financial data on real time basis for accounting purpose.

Our WMS system is adopted for managing and governing warehousing and logistics for our inventories, including recording specific information of our inventories, such as stock description, stock mix and storage positioning, identifying inventory shortages, slow-moving inventories, expiration dates of applicable SKUs and facilitating packing and delivery of replenishment products ordered by our individual retail stores through POS system. Our WMS system has been configured with function to automatically generate the storage positioning of such inventories with closest expiration dates for the purpose of priority packing and delivery of replenishment products.

Distinctive user IDs have been assigned to individual staff or a group of staff, such as purchasing staff, marketing staff, warehouse and logistics staff, front-line-sales staff and information technology staff, etc. with differentiated scope of access rights. Access right control is stringently managed with reference to employees' different job grading, departmental segregation and job requirements.

PROTECTION OF PERSONAL DATA

We obtain customers' personal information, such as name, contact number and email address and date of birth, for the creation of membership accounts in our POS system. The personal information of our members is maintained in our POS system which is kept confidential and only designated staff of our marketing team, our operation team, our information technology team and our front-line staffs (collectively "**Recipient Teams**") designated with different level of right to access in commensurate with their respective duties are allowed to access designated scope of personal data of our members in our POS system. We had included in our internal control manual our policies and guidelines for the protection of personal data of our members and had issued written direction ("**Written Direction**") to our staffs in each Recipient Teams in relation to, inter alia, the proper manner and procedure for collecting personal data, guided use of such personal data, duties to keep confidential of such personal data and the designated contingency procedures for handling leakage of personal data information. If our front-line staffs received any request from our members to access their personal data contained in our POS system, the store manager has to report to the area manager, who will then report to senior manager of the marketing team to consider and (if appropriate) to handle.

The Internal Control Consultant has reviewed the internal control manual and the Written Direction and no material deficiency was identified.

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HONOURS AND AWARDS

Our Group and our brand “Best Mart 360°” “優品360°” have received a number of awards and certificates which include the followings:

Year of grant	Award/Certificate	Awarding body
Since September 2014	Member of the “No Fakes Pledge” Scheme (「正版正貨承諾計劃」會員) (<i>Note</i>)	The Intellectual Property Department of the Government of the HKSAR (香港特別行政區政府知識產權署)
September 2014	Octopus Partner Awards 2014 – Second Runner-up for “Usage Award for New Retail Merchants” (八達通商業夥伴大獎2014—「最高用量商戶大獎—新零售商戶」季軍)	Octopus Cards Limited (八達通卡有限公司)
Since July 2015	Certification Mark upon “Retail Shops” Category under the “Quality Tourism Services Scheme” (「優質旅遊服務計劃」下「零售商店」類別之證明商標)	Hong Kong Tourism Board (香港旅遊發展局)
Since July 2015	Member of the Quality Tourism Services Association (優質旅遊服務協會會員)	Quality Tourism Services Association (優質旅遊服務協會)
October 2015	Consumer’s Most Favourable Hong Kong Brands of Year 2015 – Golden Award (香港名牌金獎品牌2015)	China Enterprise Reputation & Credibility Association (Overseas) (中華(海外)企業信譽協會)
January 2016	Best Loved Brands Awards 2015 (一路最愛生活百貨品牌大獎2015)	RoadShow (路訊通)
October 2017	Merit Award for “MTR Shops Voting Campaign 2017 – Light Refreshment” (2017投選至愛MTR Shops—輕食之選優異獎)	MTR Corporation Limited (香港鐵路有限公司)

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Year of grant	Award/Certificate	Awarding body
August 2018	Octopus Partner Awards 2017 – Champion for “Usage Growth Award for Retail Acquirer Merchant” (八達通商業夥伴大獎 2017 – 「最高用量增長商戶大獎 – 業務拓展夥伴商戶」冠軍)	Octopus Cards Limited (八達通卡有限公司)

Note:

The “No Fakes Pledge” Scheme (the “**Scheme**”) was launched by the Hong Kong Intellectual Property Department in 1998 with the aim to, among others, enhance awareness of intellectual property protection among retailers and consumers alike. In order to be a member of the Scheme, participants must be a member of one of the issuing bodies of the Scheme. Our Group became a member of Hong Kong Coalition for Intellectual Property Rights of the Federation of Hong Kong Industries, one of the issuing bodies of the Scheme”, on 26 September 2014.

Under the Scheme, interested retailers who has been operating continuously for more than 12 months in Hong Kong and has no substantiated record of selling or dealing in counterfeit and pirated goods during the period may apply for free membership on an annual basis. Members of the Scheme should comply with the code of practice of the Scheme, including but not limited to (i) refraining from selling or dealing in counterfeit and pirated goods; (ii) imposing discipline in protecting intellectual property rights among company management and staff; and (iii) allowing officers of the Hong Kong Customs & Excise Department (“**Hong Kong Customs**”) to visit their premises during trading hours for the purpose of monitoring compliance.

If there were reasons to believe that a member of the Scheme has failed to comply with the code of practice or other terms and conditions of the Scheme, or any enforcement action is taken against such member by the Hong Kong Customs, the issuing body may suspend or terminate the Scheme membership of such member. Upon the suspension, termination or withdrawal of Scheme membership, such member shall immediately cease using the “No Fakes” logo in any media or formats and shall return all “No Fakes” stickers and tent cards to the issuing body concerned.

CORPORATE SOCIAL RESPONSIBILITY

As we are engaged in consumer-driven business and we have a strong sense of mission in providing happiness and spiritual satisfaction to our customers, our Group attaches great importance to corporate social responsibility and actively participates in various community involvement programs or charity events to support the development of healthy life, to cater needs of local community, to enhance fraternal cooperation in the community and to create better community. In the past years, we took initiatives in providing sponsorship to various community involvement programs and participating in number of charity events, including:

- Southern District Fish Harbour Run 2014 (南區漁港街跑2014) held in December 2014 organised by The Association of Industries and Commerce of Hong Kong Southern District Limited (香港南區工商業聯合總會)
- gifts to the elderly in the volunteer home visit to elderly event “第四屆「獅情•長意」” organised by the Lions Club of Centre Point H.K.S.A.R. (香港特區中央獅子會) in January 2018

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- a charity banquet for the elderly “敬老樂膳賀新年” organised by Pok Oi Hospital Mrs. Wong Tung Yuen District Elderly Community Centre (博愛醫院王東源夫人長者地區中心) and Free Methodist Church of Hong Kong (香港循理會) in February 2018
- inauguration ceremony of the 1st Students’ Association of Asian Studies, Hang Seng Management College (恆生管理學院亞洲研究學系系會) in March 2018
- “Symphony of Love” Charity Concert 2018 (「耆青樂容融」管弦樂團慈善晚會) organised by Lions Club of Castle Peak Hong Kong (香港青山獅子會) in May 2018
- a charitable travel music album (慈善音樂旅遊書) authored by Ophelia So (蘇慧恩) in June 2018
- “Charity Raffle 2018” (「慈善獎券2018」) organised by Hong Kong Sheng Kung Hui Welfare Council Limited (香港聖公會福利協會有限公司) in October 2018
- “22nd Best Mart 360° Super Kung Sheung Cup International Basketball Invitation Championship “(「第22屆優品360°超級工商盃國際籃球邀請賽」) organised by Hong Kong Basketball Association Limited (香港籃球總會有限公司) in December 2018
- a charity banquet for the elderly “敬老樂膳宴” organised by The Free Methodist Church of Hong Kong-Social Services Division (香港循理會社會服務部) in December 2018

Besides, we are accredited “Caring Company Logo (商界展關懷)” by The Hong Kong Council of Social Service (香港社會服務聯會) in March 2018. By participating in the Caring Company Scheme, we are prepared to give further contributions in various ongoing community supports programmes that develop caring culture in Hong Kong and create a more diverse and harmonious society.

Although the predominant goal in participating in such community involvement programs and charity events is to demonstrate our care to the local community and to fulfill our corporate social responsibility, the participation in such programs and events also promote the image of our brand by increasing our brand visibility and enhancing the public awareness of our brand as a socially responsible enterprise. In addition, by encouraging our employee volunteerism in such community involvement programs and charity events, we also improve stronger bonds and collaborations amongst our employees that exemplify team spirit in our working environment.

In addition, our Group also promotes environmental awareness in our business. Since February 2018, we use polybags in our business made of oxo-biodegradable plastic. Such polybags have satisfied relevant product environmental criteria set by Green Council, a non-profit and non-partisan environmental association of Hong Kong, and have been certified and licensed under the Hong Kong Green Label Scheme launched by Green Council. Our Directors believe that by promoting eco-friendly business and expressing our caring for the environment in our business operation, we are not only running our business responsibly that forms part of our corporate core value but also raising corporate conscience and public awareness on the essentiality in environmental protection.

COMPETITION

According to the Frost & Sullivan Report, the grocery retail market in Hong Kong refers to the retailing sector for foodstuffs, such as chips, candies, bakery products, beverages etc. and household necessities such as cleaning supplies, dust pans, sanitary products, etc. that are available to consumers which is nowadays mainly operated through three major channels, i.e. grocery stores, department stores and supermarkets. The operation of our “Best Mart 360° (優品360°)” retail stores in Hong Kong belongs to leisure food retail sector which is classified as a sub-category of grocery stores as our major products (i.e. various kinds of prepackaged leisure food and beverages products) represented approximately 87.7%, 91.2%, 92.9% and 90.0% of our Group’s total revenue in the year ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018. It is forecasted by Frost & Sullivan that the leisure food retail market in Hong Kong will grow steadily at a CAGR of 5.7% reaching HK\$6.5 billion by the end of the calendar year of 2022 as compared to that of HK\$5.0 billion in the calendar year of 2017.

According to the Frost & Sullivan Report, as at 31 March 2018, there were seven chain leisure food retailers in Hong Kong which operate over 20 leisure food retail stores in Hong Kong. The aggregate revenue from these seven leisure food retailers accounted for approximately 87.6% market share of the total leisure food retail market in Hong Kong as at 31 March 2018 which amounted to approximately HK\$4.4 billion. Besides, we were ranked as the second largest leisure food retailers amongst such top seven leisure food retailers in Hong Kong in terms of our revenue of approximately HK\$1,075.9 million for the year ended 31 March 2018, translating to a market share of approximately 21.6% in the leisure food retail market in Hong Kong as at 31 March 2018.

According to the Frost & Sullivan Report, there are various entry barriers for new market entrants to enter into the leisure food retail market in Hong Kong. Such entry barriers include the relatively high initial capital investment required for opening stores, the ability to secure seamless provision of sufficient amount of products in timely manner at competitive price, the maintenance of stable relationship with overseas suppliers, as well as the difficulty for new market entrants to build a high profile brand and reputation within the industry among a number of existing market players for attracting new customers and maintaining customers’ loyalty. Please refer to the section headed “Industry Overview” in this prospectus for further information on the competitive landscape, growth and entry barriers of the leisure food retail market in Hong Kong.

We believe that leveraging on our pioneer positioning and brand recognition established in the leisure food retail sector, our ability to offering quality, trendy and broad appeal product mix procured from international market at competitive prices, our stable collaborative relationships maintained with our suppliers, our in-depth industry knowledge and experience in capturing market trends and catering the ever-changing consumers’ needs, preferences and expectations of consumers and our capability in strategically locating our retail stores that effectively serve of our target customers in the past years, we are in a favourable position to compete with the new market entrants and other existing market players in the industry notwithstanding that we are operating in a highly competitive operating environment.

Our Directors foresee our competitive strengths will reinforce and further enhance our business with the implementation to our business strategies by the funds raised under the Share Offer. Please see the paragraphs headed “Our competitive strengths” and “Our business strategies” in this section for further information.

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INSURANCE

Our Group maintains insurance coverage for (i) statutory employees' compensation for all full time and part time employees; (ii) contractors' public liability for all interior and exterior decoration, renovation, repairs, maintenance works and reinstatement work for our retail stores; (iii) shop package insurance to cover contents and stocks and third party public liability in the retail stores; (iv) stock coverage for the stocks in our office and warehouses; (v) medical insurance for our full-time employees; and (vi) marine cargo.

For the years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018, our Group incurred insurance expenses of approximately HK\$0.3 million, HK\$0.6 million, HK\$0.7 million and HK\$0.5 million respectively.

We review our insurance policies from time to time for adequacy in the breadth of coverage. Our Directors consider that our insurance coverage is in line with the normal coverage in the industry and is adequate for our operations.

As at the Latest Practicable Date, we were involved in certain insurance claims that have no material impact on the insurance premiums to be paid by our Group in the future which brief particulars were set out in paragraph headed "Legal proceedings and potential claims" in this section. Save and except for the above mentioned, we had not made nor been the subject of any material insurance claims as at the Latest Practicable Date. However, our business operation is susceptible to potential losses caused by a wide range of business disruptions and we may not be fully indemnified for our losses under our existing insurance coverage. Please refer to the paragraph headed "Risk Factors – Risks relating to our business – Our insurance policies may not be sufficient to cover liabilities arising from claims and litigation and our insurance premium may increase from time to time" in this prospectus for details.

HEALTH AND WORK SAFETY

In line with the local regulatory requirements in Hong Kong, our Group strives to provide and ensure a safe working environment to our employees. To ensure that our business is operated in a safe environment and our staff have the necessary knowledge on work safety, we have adopted and implemented work place safety guidelines for all our staff in the retail stores which set out our work safety policies and promote safety in work sites. In addition, we have also launched internal training sessions to educate our employees of the importance of and correct practices for health and safety in work place. Our Directors believe that these measures will help to minimise the possibility and seriousness of injuries in work place. Any accidents that occur in our work place will be reported to and handled by our human resources and administration department so as to ensure that any injuries occurred in our work place will be properly recorded and insurance claims and treatments are effectively pursued to protect our employees and our Group.

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During the Track Record Period and up to the Latest Practicable Date, there were certain employees' compensation claims and third party public liability claims against our Group. Having considered (i) the nature of the relevant claims; and (ii) the fact that all such employees' compensation claims and third party liability claims are expected to be fully covered by the insurance policy taken out by our Group, our Directors confirmed that we did not have any material accidents in the course of our operation nor any material accidents related to the health or safety of our employees or customers and we had not received any material claims for personal or property damage by our employees or customers.

EMPLOYEES

As at 31 July 2018, our Group had a total of around 583 full-time and part-time employees in Hong Kong. Please refer to the paragraph headed "Directors, Senior Management and Employees – Employees" in this prospectus for details.

ENVIRONMENTAL MATTERS

Due to the nature of our business, our Group's operational activities do not directly generate industrial pollutants in Hong Kong, and as such our Group did not incur costs of compliance with applicable environmental protection rules and regulations in Hong Kong during the Track Record Period. Our Directors expect that our Group will not incur significant costs for compliance with applicable environmental protection rules and regulations in Hong Kong in the future. As at the Latest Practicable Date, our Group had not been involved in any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

PROPERTIES

As at the Latest Practicable Date, our Group did not own any property.

Properties leased or licenced by our Group in Hong Kong as retail stores and offices

As at the Latest Practicable Date, our Group had leased or obtained licences for 91 properties in Hong Kong, the uses of which are retail stores and offices respectively. Except for three retail stores, details of which are set out in the section headed "Connected Transactions" in this prospectus, all properties were either leased or licenced by our Group from Independent Third Parties.

As at the Latest Practicable Date, the number of leased or licensed properties of our Group was more than the number of our retail stores, because we have already leased or licensed four properties for the opening of new retail stores.

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The following table sets out a summary of the properties leased or licenced by our Group in Hong Kong for the use as retail stores as at the Latest Practicable Date:

Retail store	Location	Approximate saleable floor area (sq.m.)	Term of lease/licence	Rental/ Licence Fee Basis
Hong Kong				
Wanchai Store	Mall Plus, Hennessy Road, Hong Kong	115.4	1 March 2018 – 29 February 2020	Fixed monthly base rent or turnover rent of a specified percentage of the monthly gross takings of the retail store, whichever is higher
Sai Wan Store	Belcher's Street, Hong Kong	55.2	1 April 2017 – 31 March 2019	Fixed monthly rental
Sheung Wan Store	Wing Lok Street, Hong Kong	221.2 (Note 1)	23 January 2018 – 22 January 2020	Fixed monthly rental
North Point Maylun Store	Maylun Apartments, King's Road, Hong Kong	72.9	15 October 2018 – 14 October 2021	Fixed monthly rental
Shun Tak Store (Note 2)	Shun Tak Centre, Connaught Road Central, Hong Kong	103.9	1 December 2017 – 30 November 2019	Turnover rent of a specified percentage of the monthly turnover of the retail store
Siu Sai Wan Store	Siu Sai Wan Plaza, Siu Sai Wan Estate, Siu Sai Wan Road, Chai Wan, Hong Kong	139.4	(i) 21 December 2015 – 20 December 2018 (ii) 21 December 2018 – 20 December 2020	Fixed monthly base rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher
Centre Street Store	Centre Street, Hong Kong	73.0 (Note 1)	(i) 19 May 2016 – 18 May 2019 (ii) Renewal option: 19 May 2019 – 18 May 2021	Fixed monthly rental
Wu Nam Street Store	Wu Nam Street, Hong Kong	154.1 (Note 1)	(i) 25 July 2016 – 24 July 2019 (ii) Renewal option: 25 July 2019 – 24 July 2021	Fixed monthly rental

BUSINESS

Retail store	Location	Approximate saleable floor area (sq.m.)	Term of lease/licence	Rental/ Licence Fee Basis
Johnston Road Store	Wanchai Commercial Centre, Johnston Road, Wan Chai, Hong Kong	131.8	(i) 22 August 2016 – 21 August 2019 (ii) Renewal option: 22 August 2019 – 21 August 2021	Fixed monthly rental
Wah Kwai Store	Noble Square (Wah Kwai Shopping Centre), Wah Kwai Estate, Hong Kong	88.2	(i) 8 March 2017 – 7 March 2020 (ii) Renewal option: 7 March 2020 – 8 March 2023	Fixed monthly base rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher
Kornhill Store	Kornhill Plaza, Kornhill Road, Hong Kong	82.2	2 May 2018 – 1 May 2021	Fixed monthly rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher
Lee Garden Road Store	Po Foo Building, Lee Garden Road, Hong Kong	206.7 (Note 1)	20 November 2018 – 31 March 2019, which may be renewed on monthly basis upon expiry until receiving termination notice from the Licensor	Fixed monthly licence fee
Paradise Mall Store	Paradise Mall, Hong Kong	60.6	22 August 2018 – 21 August 2021	Fixed monthly basic rent plus additional turnover rent of a certain percentage of the monthly gross sales turnover of the retail store exceeding the fixed monthly basic rent
Marina Square Store	Marina Square, South Horizons, Apleichau, Hong Kong	64.4	31 August 2018 – 30 August 2021	Fixed monthly basic rental plus additional turnover rent of a certain percentage of the monthly gross receipts of the retail store exceeding the fixed monthly basic rental

BUSINESS

Retail store	Location	Approximate saleable floor area (sq.m.)	Term of lease/licence	Rental/ Licence Fee Basis
New Jade Gardens Store	New Jade Gardens, Chai Wan Road, Hong Kong	182.1	1 November 2018 to 31 October 2020	Fixed monthly rental
Kowloon				
Kwun Tong Store	Ngau Tau Kok Road, Kowloon	81.6 (Note 1)	16 March 2017 – 15 March 2019	Fixed monthly rental
Tsimshatsui East Store	New Mandarin Plaza, Science Museum Road, Tsimshatsui East, Kowloon	285.3	(i) 1 May 2016 – 30 April 2019 (ii) Renewal option: 1 May 2019 – 30 April 2020	Fixed monthly rental
Mongkok Store	Sai Yee Street, Kowloon	73.4	10 June 2017 – 9 June 2019	Fixed monthly rental
318 Nathan Road Store	318 Nathan Road, Kowloon	133.7 (Note 1)	1 October 2017 – 30 September 2019	Fixed monthly rental
200 Portland Street Store	200 Portland Street, Kowloon	92.9 (Note 1)	25 November 2018 – 24 November 2020	Fixed monthly rental
Prince Edward Store	753 Nathan Road, Kowloon	117.4	1 March 2018 – 28 February 2020	Fixed monthly rental
Park Hotel Store	Retail Area of Park Hotel, Chatham Road, Kowloon	83.6	6 October 2018 – 5 October 2020	Fixed monthly rental
Wu Kwong Street Store	Wu Kwong Street, Kowloon	164.9	1 December 2018 – 30 November 2021	Fixed monthly rental
Ivy Street Store	Tai Chung Building, Ivy Street, Kowloon	76.7	(i) 7 March 2016 – 6 March 2019 (ii) Renewal option: 7 March 2019 – 6 March 2021	Fixed monthly rental
Lei Yue Mun Store	Lei Yue Mun Plaza, Yau Mei Court, Lei Yue Mun Road, Kowloon	102.6	11 April 2016 – 10 April 2019	Fixed monthly base rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher

BUSINESS

Retail store	Location	Approximate saleable floor area (sq.m.)	Term of lease/licence	Rental/ Licence Fee Basis
Amoy Plaza Store	Amoy Plaza, Amoy Gardens Phase II, Ngau Tau Kok Road, Kowloon	97.2	28 April 2016 – 27 April 2019	Fixed monthly basic rent plus additional turnover rent of a certain percentage of the monthly gross receipts of the retail store exceeding the fixed monthly basic rent
184A Nathan Road Store	184A-186 Nathan Road, Kowloon	246.8	(i) 3 May 2016 – 2 May 2019 (ii) Renewal option: 3 May 2019 – 2 May 2021	Fixed monthly rental
Lok Fu Plaza Store	Lok Fu Plaza, Lok Fu Estate, Junction Road, Kowloon	88.4	1 June 2016 – 28 February 2019	Fixed monthly base rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher
511 Nathan Road Store	511 Nathan Road, Yau Ma Tei, Kowloon	118.1 (Note 1)	(i) 10 July 2016 – 9 July 2019 (ii) Renewal option: 10 July 2019 – 9 July 2021	Fixed monthly rental
Telford Plaza Store	Telford Plaza, Kowloon	73.5	15 November 2016 – 14 November 2019	Fixed monthly basic rent plus additional turnover rent of a certain percentage of the monthly gross sales turnover of the retail store exceeding the fixed monthly basic rent
Tsz Wan Shan Store	Tsz Wan Shan Shopping Centre, Tsz Lok Estate, Tsz Wan Shan, Kowloon	94.5	6 December 2016 – 5 December 2019	Fixed monthly base rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher

BUSINESS

Retail store	Location	Approximate saleable floor area (sq.m.)	Term of lease/licence	Rental/ Licence Fee Basis
Hankow Road Store	Hankow Road, Kowloon	120.6 (Note 1)	(i) 6 January 2017 – 5 January 2019 (ii) 6 January 2019 – 5 January 2020 (Note 4)	Fixed monthly rental
Kowloon City Store	Nga Tsin Wai Road, Kowloon City, Kowloon	119.5	22 March 2017 – 21 March 2022	Fixed monthly rental
Cheung Sha Wan Store	Cheung Sha Wan Road, Kowloon	103.0 (Note 1)	(i) 26 April 2017 – 25 April 2020 (ii) Renewal option: 26 April 2020 – 25 April 2022	Fixed monthly rental
Bute Street Store	Bute Street, Kowloon	93.5 (Note 1)	(i) 4 May 2017 – 3 May 2020 (ii) Renewal option: 4 May 2020 – 3 May 2022	Fixed monthly rental
Wong Tai Sin Store	Temple Mall South, Lower Wong Tai Sin (2) Estate, Wong Tai Sin, Kowloon	132.2	8 May 2017 – 7 May 2020	Fixed monthly base rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher
Whampoa Garden Store	Commercial Podium, Site 12, Whampoa Garden, Kowloon	87.0	3 July 2017 – 2 July 2020	Fixed monthly basic rental plus additional turnover rent of a certain percentage of the monthly gross turnover of the retail store exceeding the fixed monthly basic rental
Kai Tin Store	Kai Tin Shopping Centre, Kai Tin Estate and On Tin Estate, Kai Tin Road, Lam Tin, Kowloon	94.3	10 July 2017 – 31 March 2019	Fixed monthly base rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher

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Retail store	Location	Approximate saleable floor area (sq.m.)	Term of lease/licence	Rental/ Licence Fee Basis
Liberté Place Store	Liberté Place, Lai Chi Kok Road, Kowloon	78.0	1 September 2017 – 31 August 2020	Fixed monthly base rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher
Hung Hom Station Store	Hung Hom Station	86.9	29 September 2017 – 28 March 2019	a certain percentage of the monthly gross turnover of the retail store as monthly licence fee
Olympian City Store	Olympian City 3, Hoi Wang Road, Kowloon	67.9	3 October 2017 – 2 October 2020	Fixed monthly basic rental plus additional turnover rent of a certain percentage of the monthly gross sales turnover of the retail store exceeding the fixed monthly basic rental
Plaza Hollywood Store	Plaza Hollywood, Diamond Hill, Kowloon	80.1	25 October 2017 – 24 October 2020	Fixed monthly minimum rental plus percentage rental (i.e. of a certain percentage of the monthly gross receipts of the retail store exceeding the fixed monthly minimum rent)
San Po Kong Store	Shung Ling Street, Kowloon	62.4	(i) 20 December 2017 – 19 December 2020 (ii) Renewal option: 20 December 2020 – 19 December 2022	Fixed monthly rental
Sau Mau Ping Store	Sau Mau Ping Shopping Centre, Sau Mau Ping Estate, Sau Ming Road, Sau Mau Ping, Kowloon	73.9	15 June 2018 – 14 June 2021	Fixed monthly rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher

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Retail store	Location	Approximate saleable floor area (<i>sq.m.</i>)	Term of lease/licence	Rental/ Licence Fee Basis
China Hong Kong City Store	China Hong Kong City, Kowloon	87.5	16 July 2018 – 15 July 2021	Fixed monthly base rent plus additional turnover rent of a certain percentage of the monthly gross sales turnover of the retail store exceeding the fixed monthly base rent
Mirador Store	Mirador Mansion, No. 64A, Nathan Road, Tsimshatsui, Hong Kong	57.3	9 August 2018 – 8 February 2019	Fixed monthly rental
Chong Hing Store	Chong Hing Square, 601 Nathan Road, Kowloon	107.3	26 October 2018- 25 October 2021	Fixed monthly rental
Chuk Yuen Store	Chuk Yuen Plaza, Chuk Yuen (South) Estate, Chuk Yuen Road, Wong Tai Sin, Kowloon	100.4	3 December 2018 – 2 December 2021 (<i>Note 6</i>)	Fixed monthly rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher
New Territories				
Sheung Shui Store	San Hong Street North, New Territories	127.4 (<i>Note 1</i>)	8 April 2016 – 7 April 2019	Fixed monthly rental
Tai Wai Store	Chik Fai Street, Shatin, New Territories	127.9 (<i>Note 1</i>)	1 July 2018 – 30 June 2020	Fixed monthly rental
Yuen Long Store	183 Castle Peak Road, Yuen Long, New Territories	87.8	(i) 6 February 2017 – 5 February 2019 (ii) 6 February 2019 – 5 February 2021 (<i>Note 4</i>)	Fixed monthly rental
Metro City, Tseung Kwan O Store	Metro City Phase III, The Metropolis, Tseung Kwan O, New Territories	86.5	15 August 2017 – 14 August 2019	Fixed monthly basic rent plus additional turnover rent of a certain percentage of the monthly turnover of the retail store exceeding the fixed monthly basic rent

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Retail store	Location	Approximate saleable floor area (sq.m.)	Term of lease/licence	Rental/ Licence Fee Basis
Tuen Mun Store	Tuen Mun Town Plaza, Tuen Mun	134.1	1 January 2017 – 31 December 2018 (Note 3)	Fixed monthly base rent plus additional turnover rent of a certain percentage of the monthly gross sales turnover of the retail store exceeding the fixed monthly base rent
Tai Po Store	Kwong Fuk Lane, Tai Po, New Territories	85.9 (Note 1)	21 March 2018 – 20 March 2021	Fixed monthly rental
Yuen Long No. 56 Store	56-60 Castle Peak Road, Yuen Long, New Territories	94.1	1 April 2018 – 31 March 2021	Fixed monthly rental
Shatin Centre Store	Shatin Centre, Wang Pok Street, Shatin, New Territories	131.8	10 April 2018 – 9 April 2021	Fixed monthly rent or turnover rent of a specified percentage of the monthly turnover of the retail store, whichever is higher
Discovery Park Shopping Centre Store	Discovery Park Shopping Centre,	144.4	29 September 2018 – 28 September 2020	Fixed monthly basic rent or percentage rental (i.e. a specified percentage of the monthly gross receipt of the retail store), whichever is higher
Yoho Mall Store	Long Yat Road, Yuen Long, New Territories	54.2	23 February 2016 – 22 February 2019	Fixed monthly basic rental plus additional turnover rental of a certain percentage of the monthly gross receipts of the retail store exceeding the fixed monthly basic rental
Wo Che Plaza Store	Wo Che Plaza, Wo Che Estate, Shatin, New Territories	174.6	1 March 2016 – 28 February 2019	Fixed monthly rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher

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Retail store	Location	Approximate saleable floor area (sq.m.)	Term of lease/licence	Rental/ Licence Fee Basis
Chung On Street Store	Chung On Street, Tsuen Wan, New Territories	137.3	(i) 1 October 2016 – 30 September 2019 (ii) Renewal option: 1 October 2019 – 30 September 2020	Fixed monthly rental
Tsui Lam Store	Tsui Lam Shopping Centre, Tsui Lam Estate, Tseung Kwan O, New Territories	72.2	11 April 2016 – 10 April 2019	Fixed monthly rental
Popcorn Store	Popcorn, Tseung Kwan O, New Territories	99.7	16 April 2016 – 15 April 2019	Fixed monthly basic rent plus additional turnover rent of a certain percentage of the monthly gross sales turnover of the retail store exceeding the fixed monthly basic rent
Tai Po Mega Mall Store	Tai Po Mega Mall (also known as Shopping Mall Tai Po Centre), New Territories	93.7	20 June 2018 – 19 June 2021	Fixed monthly basic rental plus additional turnover rental of a certain percentage of the monthly gross sales turnover of the retail store exceeding the fixed monthly basic rental
Sheung Shui Centre Store	Sheung Shui Centre, Sheung Shui, New Territories	92.2	29 August 2016 – 28 August 2019	Fixed monthly basic rent plus additional turnover rent of a certain percentage of the monthly gross sales turnover of the retail store exceeding the fixed monthly basic rent
MOSTown Store	MOSTown (previously known as Sunshine City Plaza), On Luk Street, Shatin, New Territories	75.5	7 November 2016 – 6 November 2019	Fixed monthly rent or turnover rent of a specified percentage of the gross monthly turnover of the retail store, whichever is higher

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Retail store	Location	Approximate saleable floor area (sq.m.)	Term of lease/licence	Rental/ Licence Fee Basis
Uptown Plaza Store	Uptown Plaza, Nam Wan Road, Tai Po, New Territories	46.9	26 September 2018 – 28 February 2019	Fixed monthly basic licence fee plus additional turnover licence fee of a certain percentage of the monthly gross sales turnover of the retail store exceeding the fixed monthly basic licence fee
Tsing Yi Station Store	Tsing Yi Station	77.9	27 April 2018 – 26 April 2021	Fixed monthly licence fee or a specified percentage of the monthly gross sales turnover of the retail store, whichever is higher
Metro Town Store	Metro Town, Tseung Kwan O, New Territories	67.2	22 February 2017 – 21 February 2020	Fixed monthly basic rent plus additional turnover rent of a certain percentage of the monthly gross receipts of the retail store exceeding the fixed monthly basic rent
The Lane Store	The Lane, Tseung Kwan O, New Territories	81.3	1 March 2017 – 29 February 2020	Fixed monthly basic rent plus additional turnover rent of a certain percentage of the monthly gross receipts of the retail store exceeding the fixed monthly basic rent
Metroplaza Store	Metroplaza, Kwai Chung, New Territories	83.8	1 March 2017 – 29 February 2020	Fixed monthly basic rental plus additional turnover rental of a certain percentage of the monthly gross receipts of the retail store exceeding the fixed monthly basic rental

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Retail store	Location	Approximate saleable floor area (sq.m.)	Term of lease/licence	Rental/ Licence Fee Basis
Tin Shui Wai Chung Fu Store	Chung Fu Plaza (Phase 2), Tin Yuet Estate, Tin Wah Road, Tin Shui Wai, New Territories	97.5	18 April 2017 – 17 April 2020	Fixed monthly rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher
Fanling Centre Store	Fanling Centre, San Wan Road, Fanling, New Territories	101.7	14 June 2017 – 13 June 2020	Fixed monthly basic rent plus additional turnover rent of a certain percentage of the monthly gross turnover of the retail store exceeding the fixed monthly basic rent
Tai Wo Plaza Store	Tai Wo Plaza, Tai Wo Estate, Tai Po Tai Wo Road, Tai Po, New Territories	177.8	12 June 2017 – 11 June 2020	Fixed monthly rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher
San Tin Store	San Tin Shopping City, San Tin, New Territories	170.2	1 January 2018 – 31 December 2019, upon expiry, the term may be extended on a monthly basis by mutual agreement	Fixed monthly licence fee (Note 5)
Fu Tung Store	Fu Tung Plaza, Fu Tung Estate, Fu Tung Street, Tung Chung, New Territories	92.9	9 April 2018 – 8 April 2021	Fixed monthly rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher
Airport Store	Terminal 2, Hong Kong International Airport	63.4	11 December 2017 – 31 December 2019	Fixed monthly minimum guaranteed royalty or royalty of a specified percentage of the monthly gross revenue of the retail store, whichever is higher

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Retail store	Location	Approximate saleable floor area (sq.m.)	Term of lease/licence	Rental/ Licence Fee Basis
Tin Shui Store	Tin Shui Shopping Centre, Tin Shui (I&II) Estate, Tin Shui Wai, New Territories	53.9	7 May 2018 – 6 May 2021	Fixed monthly rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher
Cheung Fat Store	Cheung Fat Plaza, Cheung Fat Estate, Tsing Yi, New Territories	81.3	28 May 2018 – 27 May 2021	Fixed monthly rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher
Ocean Walk Store	Ocean Walk, Wu Chui Road, Tuen Mun, New Territories	99.4	1 July 2018 – 30 June 2021	Fixed monthly basic rent plus additional turnover rent of a certain percentage of the monthly gross sales turnover of the retail store exceeding the fixed monthly basic rent
Un Chau Store	Un Chau Estate, 303 Un Chau Street, Cheung Sha Wan, Kowloon, Hong Kong	72.8	22 June 2018 – 21 June 2021	Fixed monthly rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher
Tin Yiu Store	Tin Yiu Plaza, Tin Yiu Estate, Tin Wu Road, Tin Shui Wai, New Territories	92.7	13 August 2018 – 12 August 2021	Fixed monthly rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher
Leung King Store	Leung King Plaza, Leung King Estate, Tin Wu Road, Tuen Mun, New Territories	106.5	3 September 2018 – 2 September 2021	Fixed monthly rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher

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Retail store	Location	Approximate saleable floor area (sq.m.)	Term of lease/licence	Rental/ Licence Fee Basis
Flora Plaza Store	Ground Floor, Flora Plaza, No. 88 Pak Wo Road, Fanling, New Territories	76.9	30 August 2018 – 29 August 2021	Fixed monthly basic rent plus additional turnover rent of a certain percentage of the monthly gross sales turnover of the retail store exceeding the fixed monthly basic rent
Citywalk Store	Citywalk, Tsuen Wan, New Territories	120.1	22 November 2018- 21 November 2021 (<i>Note 6</i>)	Fixed monthly base rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher
Long Ping Store	Long Ping Shopping Centre, Long Ping Estate, Yuen Long, New Territories	82.9	16 November 2018 – 15 November 2021	Fixed monthly rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher
Yu King Square Store	Yu King Square, Yuen Long, New Territories	66.1	1 November 2018 - 31 October 2021	Fixed monthly rental
Yat Tung Store	Yat Tung Shopping Centre, Yat Tung Estate, Tung Chung, New Territories	88.4	5 November 2018 – 4 November 2021	Fixed monthly rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher
Tuen Mun Station Store	Tuen Mun Station, New Territories	61.3	4 December 2018 – 3 December 2021 (<i>Note 6</i>)	Fixed monthly licence fee or a specified percentage of the monthly gross sales turnover of the retail store, whichever is higher
Fortune Kingswood Store	Fortune Kingswood, Tin Yan Road, Tin Shui Wai, New Territories	63.2	14 December 2018 – 13 December 2021 (<i>Note 6</i>)	Fixed monthly rent or turnover rent of a specified percentage of the monthly gross receipts of the retail store, whichever is higher

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Notes:

1. The saleable area includes ancillary accommodation (such as cockloft, yard and/or flat roof of the subject property, if any).
2. The retail store was sub-leased from the principal tenant, which is an Independent Third Party.
3. Negotiation with landlord for renewal of the tenancy is in progress.
4. The renewal tenancy agreement has been signed by the landlord and our Group.
5. The fixed monthly licence fee has been waived by the licensor since beginning of the licence term to 19 September 2018. During such period, our Group was only required to pay the management fee and promotion levy.
6. The retail store has not yet commenced operation as at the Latest Practicable Date.

The following table sets out a summary of the properties leased by our Group in Hong Kong for the use as office as at the Latest Practicable Date:

Use of Properties	Location	Approximate gross floor area (<i>sq.ft.</i>)	Term of lease	Rental Fee Basis
Office	14th Floor, SML Tower, Hoi Bun Road, Kwun Tong, Kowloon	8,600.0	(i) 21 December 2015 – 20 December 2018 (ii) 21 December 2018 – 20 December 2021 (<i>Note</i>)	Fixed monthly rental
Office	6th Floor, SML Tower, Hoi Bun Road, Kwun Tong, Kowloon	8,600.0	(i) 1 May 2018 - 20 December 2021 (ii) Renewal option: 21 December 2021 – 20 December 2024	Fixed monthly rental

Note: The renewal tenancy agreement has been signed by the landlord and the Group.

Please see the particulars of the licences of our warehousing premises in the paragraph headed “Warehousing and logistics” in this section.

BUILDING ORDER AND WARNING NOTICE REGISTERED AGAINST OUR LEASED PROPERTIES FOR OUR RETAIL STORES

As at the Latest Practicable Date, there were one unreleased building order (“**Building Order**”) and one unreleased warning notice (“**Warning Notice**”) issued by the Building Authority pursuant to the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) (“**Buildings Ordinance**”) against two of our leased properties respectively of which our retail stores are located.

Both of the Building Order and Warning Notice issued by the Building Authority were issued against the relevant landlords of our leased properties. Under section 40 of the Buildings Ordinance, any person who does not comply with a building order on whom such building order is served is liable to a maximum penalty, on each occasion, of (a) a fine of HK\$200,000 and to imprisonment for one year; and (b) a fine of HK\$20,000 for each day during the non-compliance until it is provided to the satisfaction of the court that the offence has discontinued. Under section 24C of the Buildings Ordinance, where the building works referred to in a warning notice is not demolished or altered in accordance with the warning notice, the Building Authority may cause the notice to be registered against the premises. For both of the Building Order and Warning Notice, we attempted to liaise with the relevant landlords for the possibility of compliance. Nevertheless, we were unable to obtain co-operation or assistance from them in carrying out the necessary rectification works or remedial actions as at the Latest Practicable Date for the purpose of complying with the Building Order and Warning Notice.

The Building Order was registered against our Bute Street store while the Warning Notice was registered against our Sheung Shui store. Both properties were leased by our Group from Independent Third Parties. The Directors confirmed that the respective unauthorised structures affecting the leased properties for our Bute Street store and our Sheung Shui store were not built by our Group, and they existed prior to the commencement of the respective tenancy agreements of such leased properties entered into by our Group with the respective landlords.

The Building Order registered against our Bute Street store relates to an unauthorised structure erected over the open yard at the rear portion of the leased property for our Bute Street store (“**Bute Street Unauthorised Structures**”) and the Warning Notice registered against our Sheung Shui store relates to certain unauthorised structures erected at the yard and the flat roof of our leased property (“**Sheung Shui Unauthorised Structures**”). Our Directors confirmed that the areas affected by such unauthorised structures are not in use by our Group as part or parts of our Bute Street store and our Sheung Shui store and we have taken reasonable precautionary measures to prevent our employees and customers from accessing the affected areas in our Bute Street store and Sheung Shui store. Therefore, our Directors believe that there should be no significant potential risk posed to our employees and customers arising from such unauthorised structures.

Our Group has engaged an authorised person registered under the Buildings Ordinance, namely Mr Poon Kai Kit Joe (“**Authorised Person**”) to inspect the conditions of the leased properties of our Bute Street store and Sheung Shui store (including the Sheung Shui Unauthorised Structures and the Bute Street Unauthorised Structures). Based on the physical inspection of the Authorised Person in May 2018, he issued investigation reports for our Bute Street store and our Sheung Shui store, which confirmed that (a) the Bute Street Unauthorised Structures and the Sheung Shui Unauthorised Structures are in fair conditions and have no potential or imminent danger of collapse; (b) there is no sign of structural

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impairment or other structural defect(s) at each of the leased property for our Bute Street store and Sheung Shui store; (c) there is no sign of structural impairment at the building of which our Sheung Shui store or Bute Street store respectively forms part which might be caused by the Sheung Shui Unauthorised Structures or the Bute Street Unauthorised Structures respectively; and (d) both of the Sheung Shui Unauthorised Structure and the Bute Street Unauthorised Structures would not give rise to any fire concerns or any other significant safety issues.

Our Directors confirmed that both of the Bute Street Unauthorised Structures and the Sheung Shui Unauthorised Structures were not erected by our Group and all of such unauthorised structures existed prior to the commencement of the respective terms of the leases of our Bute Street store and Sheung Shui store. Our Directors also confirm that neither the Bute Street Unauthorised Structures nor the Sheung Shui Unauthorised Structures has caused any physical injury to any person since our Group's occupation of the leased properties of our Bute Street store and our Sheung Shui store and up to the Latest Practicable Date, neither the Building Order nor the Warning Notice had, or is expected to have, any material adverse effect to our operation in our Bute Street store and our Sheung Shui store. We will closely monitor and if any imminent danger of collapse is identified, we will stop doing business at our Bute Street store and our Sheung Shui store and relocate the store(s) as and when appropriate and necessary.

Our Legal Counsels are of the view that:

1. based on the fact that (i) the unauthorised structures affecting the leased properties of our Bute Street store and our Sheung Shui store had been erected prior to our Group's occupancy of such leased properties; and (ii) both of the Building Order and the Warning Notice were issued against the respective landlords of the leased properties of our Bute Street store and our Sheung Shui store, it is remote that our Group or its officers (including its directors) would be prosecuted, penalised or fined for any non-compliance in relation to the respective unreleased Building Order and the Warning Notice registered respectively against the leased properties of our Bute Street store and Sheung Shui store; and
2. our Group has no duty under the Building Ordinance to demolish or rectify such unauthorised structures affecting the leased properties of our Bute Street store and our Sheung Shui store as Section 14 of the Building Ordinance only attaches a duty to the one who commences work on such authorised structures in question. Hence, any penalty for non-compliance of section 14 in respect of such unauthorised structures, if any, will fall on the person(s) erecting such unauthorised structures.

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Measures to prevent employees and customers from accessing the unauthorised structures

We have implemented the following precautionary measures in preventing our employees and customers from accessing the Bute Street Unauthorised Structures and Sheung Shui Unauthorised Structures:

1. The areas affected by the unauthorised structures had been blocked up by relevant partitions to prevent unauthorised access by customers and/or employees (“**Blockage**”). By the erection of such partitions, the area affected by the unauthorised structure had been carved out from the operation area of the concerned retail stores and only one door (“**Exit Door**”) had been maintained at such partition for emergency exit purpose;
2. A warning sign had been affixed on the Exit Door to alert customers and employees not to entering into the partitioned area unless necessary;
3. Notices had been issued to the staff of the relevant retail stores in relation to the preventive steps (“**Preventive Steps**”) including
 - (a) the Exit Door should be kept closed all the times;
 - (b) the area affected by the unauthorised structure should not be used for any purpose and should be kept clear of any inventories, personal belongings of staff and/or any other objects;
 - (c) all of the staffs of the retail stores should not enter into the area affected by the unauthorised structures and should use best effort to prevent any customer from opening the Exit Door and entering into the area affected by the unauthorised structures unless necessary; and
4. The shop manager had been instructed to monitor and supervise the due compliance of the Preventive Steps and report to the relevant area manager and if necessary the operation manager at the head office of any non-compliance of the Preventive Steps and/or irregularities in relation to the Blockage.

We have engaged the Internal Control Consultant to conduct an internal control review in relation to the effectiveness and the implementation status of these precautionary measures in August 2018. Based on their review, the Internal Control Consultant is of the view that the precautionary measures have been implemented and is effective.

The Sole Sponsor, after considering the conditions of the Bute Street Unauthorised Structures and Sheung Shui Unauthorised Structures from the investigation reports issued by the Authorised Person, the view from the Legal Counsel and having reviewed the findings from the Internal Control Consultant, concurs with the view of the Internal Control Consultant.

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In order to avoid leasing or licensing premises with material unauthorised structures in the future, we have adopted certain precautionary measures since December 2017. Before entering into a lease or a licence to use premises, our leasing team is responsible to obtain land searches from The Hong Kong Land Registry to ascertain if there is any outstanding building order, warning notice or other form of notices registered against the target premises that indicates the existence of any unauthorised building structures or other irregularities affecting the target premises. In addition, our leasing team will also obtain the floor plan and/or building plan of target premises for on-site inspection with a view to identify any potential unauthorised building structures. If any potential unauthorised building structure(s) in the target premises is/are identified, we will seek advices from professional advisers, such as property valuer, property surveyor and/or authorised person, to ascertain if the concerned structures are of unauthorised nature and will not enter into a lease or licence to use premises for a premises affected by any unauthorised building structures.

The aggregated revenue of our Bute Street store and our Sheung Shui store during the Track Record Period amounted to approximately 4.7%, 3.7%, 4.4% and 4.0% respectively of our Group's total revenue for the years ended 31 March 2016, 2017 and 2018 and for the four months ended 31 July 2018.




Insurance and indemnities from our Controlling Shareholders

We have maintained sufficient insurance coverage that is customary for retail business of our size and type for protection against reasonable losses incurred (if any) by our Group in relation to our business operation, including but not limited to public liability insurance. For details of our insurance policies, please see "Insurance" of this section. Nevertheless, while we have restricted access by our employees and customers to the areas affected by the unauthorised structure in our Bute Street store and our Sheung Shui store, there is no assurance that the insurance currently maintained by our Group can provide adequate coverage for injuries, losses and damages suffered by our employees or customers for any unauthorised access to the affected areas as it depends on, among others, the reason(s) contributing to, and the magnitude of, such injuries, losses and damages.

Our Controlling Shareholders have jointly and severally undertaken to indemnify our Group from and against losses and costs incurred by our Group in relation to the unreleased Building Order and the Warning Notice, including the loss of business resulting from any rectification works required to be carried out upon the request of the Buildings Department. Further details of the Deed of Indemnity are set out in the paragraph headed "Appendix IV – Statutory and General Information – Other information – 2. Estate duty, tax and other indemnities" in this prospectus.

INTELLECTUAL PROPERTY

(a) Trademarks

We currently operate our business and our retail stores under our brand name "Best Mart 360" and "優品360" in Hong Kong. We have registered the trademarks "Best Mart 360", "優品360", ,  and "優品360" in Hong Kong. As at the Latest Practicable Date, our Group is the registered owner of the trademarks  and "優品360" in the PRC, for the purpose of protecting our Group's goodwill and reputation among potential PRC customers who may visit our Group's retail stores in Hong Kong. Nevertheless, our Group did not have any retail business in the PRC as at the Latest Practicable Date.

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Further details of the trademarks of our Group are set out in the paragraph headed “Further information about the business of our Group- 2. Intellectual property rights of our Group – (a) Registered trademarks” in Appendix IV to this prospectus.

(b) Domain names

As at the Latest Practicable Date, our Group had registered five domain names. Details of the domain names are set out in the paragraph headed “Appendix IV – Statutory and General Information – Further information about the business of our Group – 2. Intellectual property rights of our Group – (c) Domain names” in this prospectus.

As at the Latest Practicable Date, there were no disputes or infringements in connection with our intellectual property rights pending or threatened against our Group which could have a material adverse effect on our operations or financial performance.

LICENCE AND REGISTRATIONS

Our Directors confirm that we had obtained all necessary material licences for our business operation in Hong Kong, thus being in compliance with relevant laws and regulations as at the Latest Practicable Date. Our Directors confirm that our Group did not experience any material difficulties in obtaining and/or renewing such licences. Further, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licences upon their expiration. Therefore, our Directors do not foresee any major difficulties in compliance with such licencing requirements that would cause material impacts on our Group’s operations and business.

The table below sets forth the details of the licences obtained by our Group that are material to our operation and business as at the Latest Practicable Date:

Licence or registration	Issuing body	Expiry date
Registration of Food Importer/Distributor	FEHD	Expiring in January 2022
Pesticides Licence – Import/Supply of Part I Registered Pesticides	Agriculture, Fisheries and Conservation Department	Expiring in July 2019
Pesticides Licence – Retail of Part I Registered Pesticides	Agriculture, Fisheries and Conservation Department	Expiring in July 2019

We will apply to renew the relevant licenses when they are due to expire, and our Directors, as advised by our Legal Counsels, are not aware of and do not foresee any legal impediment to renew such licenses when they expire.

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Besides, during the Track Record Period, our Group obtained the Trade Promotion Competition Licence issued by the Secretary for Home Affairs for its non-periodical lucky draw events pursuant to the requirements under Gambling Ordinance and Gambling Regulations based on the nature of the events on short term basis which cover the duration of the lucky draw events only.

LEGAL PROCEEDINGS AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, there were certain employees' compensation claims and third party public liability claims against our Group. Having considered (i) the nature of the relevant claims; and (ii) the fact that all such employees' compensation claims and third party liability claims have been/are expected to be fully covered by the insurance policy taken out by our Group, our Directors considered the impact of such claims would be immaterial.

As at the Latest Practicable Date, none of our Company or any other members of our Group were engaged in any claims or litigations or arbitration proceedings of material importance and no litigation or claim or arbitration proceeding of material importance is known to our Directors to be pending or threatened against any member of our Group.

Our Directors further confirm that they were not personally involved, whether collectively or individually, in any of the above claims.

No provision for litigation claims

In relation to the employees' compensation claims and third party public liability claims, having considered (i) the nature and the degree of injuries of the incidents; and (ii) the coverage of our insurance policies, our Directors consider that no provision for contingent liabilities in respect of current, pending and potential litigations is necessary.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms of the Deed of Indemnity, in respect of all liabilities and penalties which may arise as a result of any outstanding and potential litigations and claims of our Group on or before the date on which the Share Offer becomes unconditional. Please refer to the paragraph "Other Information- 2. Estate duty, tax and other indemnities" in Appendix IV to this prospectus for details.

NON-COMPLIANCES

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any non-compliance that is material or systemic in nature. Please also refer to the paragraph headed "Food safety concerns – Other immaterial non-compliance incidents" in this section for information of certain immaterial non-compliance incidents of our Group during the Track Record Period.

INTERNAL CONTROL AND RISK MANAGEMENT

With the growth and expansion of our operations, potential risks associated with our business increase. It is the responsibility of our Board to ensure that we maintain sound and effective internal control measures to safeguard our Shareholders' investment and our assets at all times. In order to identify, assess and control the risks that may create impediments to the growth of our business, we have adopted, or expect to adopt before the Listing, a series of internal control policies, and procedures designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations and to implement risk management policies to address various potential risks identified in relation to our operations, including operational risks, credit risks, market risks, financial risk and legal risks. In particular, we have taken certain measures and have established various structures as follows to strengthen our internal control and to manage our risks:

1. the conduct by our Board of a thorough examination of any material risks associated with any material business decision before approving such decision;
2. our Directors and senior management to keep track of day-to-day operations and monitor any associated operational risks of our Group and to formulate policies and resolutions to mitigate or resolve these risks;
3. the engagement of an independent internal control consultant in November 2017 to assist our Group to review and provide recommendations on improving our internal control system. Taking into account the recommendation of such review by the independent internal control consultant, we have enhanced our internal control system accordingly, and no significant deficiencies were identified during the follow-up reviews performed by the internal control consultant in May 2018;
4. the establishment of the Audit Committee which will review our internal control system and procedures for compliance with the requirements prescribed by the applicable laws, rules and regulations;
5. the appointment of Lego Corporate Finance Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules upon the Listing to advise us on compliance with the Listing Rules;
6. the engagement of external legal advisers to advise us on compliance with and to provide us with updates on the changes in the Listing Rules and the applicable Hong Kong laws, rule and regulations from time to time and as required;
7. the provision of trainings to our relevant employees in order to enhance their industry knowledges and to encourage encompassing culture of risk management ensuring that our relevant employees are aware of and responsible for risk management; and

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8. the establishment of an in-house compliance team which consists of our chief financial officer and our compliance officer to organise, review and maintain our internal control system and to provide assistance to our Directors, senior management and employees with respect to our internal control policies.

In addition, we have established our risk management policies which set forth procedures to identify, analyse, mitigate and monitor various risks as well as the reporting mechanism of risks identified in our operations. Each of our business team is responsible for identifying and evaluating the risks relating to its scope of operations and implementing our risk management and internal control systems. Key personnel of our internal control and risk management include our chief financial officer and compliance officer who individually has more than twenty years' experience in accounting field and legal field respectively.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), our Company will be beneficially owned as to 75% by Long Ease. Long Ease is an investment holding company incorporated in the BVI and is owned as to 50% by Mr. Lin and as to 50% by Ms. Hui, our executive Directors, for which Mr. Lin has casting vote upon equality of votes in its shareholders' meeting and directors' meeting. Each of Long Ease, Mr. Lin and Ms. Hui will be regarded as a Controlling Shareholder under the Listing Rules.

Save as disclosed in the section headed "Connected Transactions" in this prospectus, immediately after the Listing, there are no continuing connected transactions and related party transactions between our Group and our Controlling Shareholders and/or their associates.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on our Group's business independently from our Controlling Shareholders and their respective associates after Listing for the following reasons:

Management Independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises of two executive Directors and three independent non-executive Directors. Each of Mr. Lin and Ms. Hui, both being executive Directors, are also our ultimate Controlling Shareholders. Save for Mr. Lin and Ms. Hui, none of the other Directors nor any other members of our senior management is a Controlling Shareholder.

We consider our Board and senior management will function independently from our Controlling Shareholders and their respective associates after Listing because:

- (a) each of our Directors is aware of his or her fiduciary duties as a Director, which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the relevant interested Director(s) will abstain from voting at the relevant Board meetings of our Company in respect of such transactions, and will not be counted in the quorum of the relevant Board meetings; and
- (c) our three independent non-executive Directors have extensive experience in different areas or professions and will give independent advice to our Board from time to time.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. Our accounting department is responsible for financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities and drawdowns.

During the Track Record Period, our Group has certain amounts due to shareholders which are non-trade nature. Please refer to the section headed “Financial Information – Indebtedness – Amounts due to shareholders” and note 23 to the Accountants’ Report set out in Appendix I to this prospectus for further details. As at 31 March 2018, all amounts due to shareholders, were fully settled in cash.

As at 31 July 2018, our Group’s outstanding bank borrowings was approximately HK\$89.2 million. Our Group’s bank borrowings were supported by personal guarantees provided by Mr. Lin and Ms. Hui and mortgages over real properties ultimately owned by Mr. Lin. As at the Latest Practicable Date, our Group has either fully settled the relevant bank borrowings or obtained written consents in principle from the relevant creditor banks that such personal guarantees and mortgages will be released upon the Listing. Such consents mean that our Group can have independent access to third party financing and is able to obtain bank loans without reliance on our Controlling Shareholders.

Save as disclosed in the section headed “Financial Information – Indebtedness” in this prospectus, our Directors confirmed that, as at the Latest Practicable Date, none of our Controlling Shareholders or their respective associates had provided any loans, guarantees or pledges to our Group. Our Directors also confirmed that, as at the Latest Practicable Date, our Group did not provide any loans, guarantees or pledges to our Controlling Shareholders or their respective associates.

In view of our internal resources, our undrawn banking facilities, our net cash generated from operating activities and the estimated net proceeds from the Share Offer, our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Share Offer as we expect that our working capital will be funded by our operating income. Our Directors also believe that, upon Listing, the sustainability of our business as demonstrated by our results of operation and financial position during the Track Record Period will enhance our ability to obtain or renew the loans and borrowings from banks independently without the support of our Controlling Shareholders and their respective associates.

Operational Independence

Our Group has established our own organisational structure comprising of individual departments, each with specific areas of responsibilities. We have also established a set of internal control measures to facilitate the effective operations of our business. Our Group has not shared any operational resources, such as office premises, suppliers, customers, sales and marketing and general administration resources with our Controlling Shareholders and their respective associates.

As at the Latest Practicable Date, the performance of tenancy agreements in respect of nine of our leased properties were secured by personal guarantee provided by Mr. Lin and/or Ms. Hui, which releases had been consented to by the relevant landlords pending the execution of relevant documentation for the releases which are expected to be completed before Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Directors confirmed that none of our Controlling Shareholders and their respective associates had any relationship with our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

Our Group makes business decisions independently and has sufficient capital and workforce to operate our business independently from our Controlling Shareholders and their respective associates. We do not rely on our Controlling Shareholders for access to suppliers and customers, as we manage our procurement independently and majority of our customers are members of the general public, to whom we have independent access.

During the Track Record Period, certain associates of our Controlling Shareholders entered into transactions with our Group in the ordinary course of business of our Group and on normal commercial terms. Such transactions if continued upon the Listing, will constitute continuing connected transactions of our Company under the Listing Rules. Our Directors confirm that, all connected transactions conducted during the Track Record Period with our Controlling Shareholders and/or their associates (other than the exempt continuing connected transactions which are either exempted under Rule 14A.97 of the Listing Rules (i.e. purchases of consumer goods by connected persons from our Group in our ordinary and usual course of business) or of de minimis nature as set out in the section headed “Connected Transactions”) will be discontinued upon the Listing.

Our Directors consider that these connected transactions between our Group and the associates of our Controlling Shareholders are not material in value as far as our Group is concerned. Please refer to section headed “Connected Transactions” to this prospectus for further details.

Based on the above, our Directors are of the view that there is no operational dependence on our Controlling Shareholders and their respective associates.

OTHER BUSINESSES OF OUR CONTROLLING SHAREHOLDER

Mr. Lin is the chairman and chief executive officer of other retail stores in Hong Kong principally engaged in the sales of footwear and lifestyle products such as stationery, digital accessories, daily and household necessities, party supplies, toys, beauty products, Japanese packaged food, personal care products, miscellaneous accessory products, travel goods, outdoor products and apparel. For the six months ended 30 June 2018, the sales of Japanese packaged food and personal care products only amounted to approximately 2.78% and approximately 2.74% of the total revenue of the retail stores of such lifestyle products of Mr. Lin while approximately 82.14% of the total revenue of the retail stores for such lifestyle products of Mr. Lin was attributed by the sales of stationery, digital accessories, daily and household necessities, party supplies, toys, beauty products and miscellaneous accessory products. Given the overall nature of such retail products of Mr. Lin’s other business are substantially different from the principal products of the Company i.e. prepackaged leisure food, our Directors are of the view that the competition between such retail businesses of Mr. Lin and our Group is relatively minimal and remote.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Save as disclosed above, apart from our Group, as at the Latest Practicable Date, none of our Controlling Shareholders and their respective associates were conducting any businesses or holding controlling interest directly or indirectly in companies which are engaged in businesses in competition or is likely to be in competition with the businesses of our Group directly or indirectly, and would require disclosure pursuant to Rule 8.10 of the Listing Rules. To minimise the potential competition in future, our Controlling Shareholders had entered into the Deed of Non-Competition with us.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders (each a “**Covenantor**”, collectively the “**Covenantors**”) has entered into the Deed of Non-Competition in favour of our Company and has jointly and severally undertaken and covenanted with our Company (for itself and as trustee of its subsidiaries) that he or she or it shall not, and shall procure companies controlled by him or her or it (other than members of our Group) not to at any time during the period that the Deed of Non-Competition remains effective, directly or indirectly, either on his or her or its own account or in conjunction with or on behalf of any person, firm or company (in each case whether as a shareholder, partner, agent, employee or otherwise):

- (i) carry on, engage, participate, hold any right or interest in or in any way assist in or provide support (whether financial, technical or otherwise) to any business similar to or which competes (either directly or indirectly) or is likely to compete with the existing business of our Group and any other business conducted by our Group from time to time (the “**Restricted Business**”), save for the holding of not more than 10% shareholding interests (individually or any of the Covenantors with their associates collectively) in any company conducting the Restricted Business and listed on any recognised stock exchange;
- (ii) canvass, solicit, interfere with or endeavour to entice away from members of our Group any person, firm, company or organisation which to his or her or its knowledge has from time to time or has at any time within the immediate past one (1) year before the date of such solicitation, interference or enticement been a customer, a supplier or a business partner or employee of any member of our Group for the purpose of conducting the Restricted Business;
- (iii) procure orders from or solicit business from any person, firm, company or organisation which to his or her or its knowledge has dealt with any member of our Group or is in the process of negotiating with any member of our Group in relation to the Restricted Business;
- (iv) do or say anything which may be harmful to the reputation of any member of our Group or which may lead any person to reduce their level of business with any member of our Group or seek to improve their terms of trade with any member of our Group;
- (v) solicit or entice or endeavour to solicit or entice for employment by him or her or it or entities or companies controlled by him or her or it (other than members of our Group) or at any time employ or procure the employment of any person who has, at any time within the immediate past one (1) year before the date of such solicitation or employment, been or is a director, manager, employee of or consultant to any member of our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (vi) make use of any information pertaining to the business of our Group which may have come to his or her or its knowledge in his or her or its capacity as a shareholder of our Company or director of any member of our Group for the purpose of competing with the business of our Group.

In addition, each of the Covenantors has jointly and severally undertaken and covenanted with our Company that if any new business opportunity relating to the Restricted Business (the “**New Business Opportunity**”) is made available to any of the Covenantors or any company or entity controlled by him or her or it, directly or indirectly, whether individually or together (other than members of our Group), he or she or it will direct or procure the relevant controlled company to direct the New Business Opportunity to our Group with such required information to enable our Group to evaluate the merits of the relevant New Business Opportunity. The relevant Covenantor will provide or procure the relevant controlled company to provide our Group with all such reasonable assistance to secure such New Business Opportunity.

None of the Covenantors and their relevant controlled companies (other than members of our Group) shall pursue the New Business Opportunity unless our Group decides not to pursue the New Business Opportunity. A Covenantor may only engage in the New Business Opportunity if (i) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the “**Non-Acceptance Notice**”); or (ii) the Non-Acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company. Any decision of our Group as to whether or not to pursue the New Business Opportunity will have to be approved by our independent non-executive Directors and the basis for not taking up the New Business Opportunity will be disclosed in the interim and the annual reports of our Company. Our Group will not be required to pay any fees to any of the Covenantors and/or their relevant controlled companies in relation to the New Business Opportunity.

The Deed of Non-Competition and the rights and obligations thereunder are conditional and will take effect immediately upon the Listing.

The obligations of the Covenantors under the Deed of Non-Competition shall cease if:

- (a) our Shares cease to be listed on the Main Board of the Hong Kong Stock Exchange; or
- (b) our Controlling Shareholders cease to be the controlling shareholders (as defined under the Listing Rules) of our Company,

whichever occurs first.

Nothing in the Deed of Non-Competition shall prevent our Controlling Shareholders or any of their associates from carrying on any business other than the Restricted Business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

In order to strengthen the corporate governance and to effectively monitor the observance under the Deed of Non-Competition, our Company will implement the following corporate governance measures in order to manage conflict of interest following the Listing:

- (a) any transaction made (or proposed to be made) between any member of our Group and our connected persons will be required to comply with (i) Chapter 14A of the Listing Rules which include, but without limitation to, where applicable, the announcement, reporting, and independent Shareholders' approval requirements; and (ii) such other conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules;
- (b) in respect of any proposed contracts or arrangements entered into or to be entered into between our Controlling Shareholders and any member of our Group, any Director who is considered to be interested in the relevant matter will be required to disclose his/her interests to the Board. Under our Articles of Association, if a director or any of his/her associates has any material interest in respect of any contract or arrangement or proposal, the relevant director shall not be counted in the quorum of the relevant meeting of the Board of directors for the resolution, and vote on the resolution, approving such contract or arrangement or proposal;
- (c) each of our Controlling Shareholders has undertaken to provide all information necessary for our independent non-executive Directors to review, on a semi-annual basis, the compliance and the enforcement of the Deed of Non-Competition and will disclose decisions (with basis) on matters reviewed in the interim and the annual reports of our Company or by way of announcement to be published in compliance with the disclosure requirements under the Listing Rules;
- (d) pursuant to the Corporate Governance Code, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs; and
- (e) we have appointed Lego Corporate Finance Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules, which will provide advice and guidance to us with respect to compliance with the Listing Rules, including but not limited to various requirements relating to Directors' duties and corporate governance.

CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, chief executive and substantial shareholders or those of our subsidiaries, any person who was our Director or a director of any of our subsidiaries within 12 months preceding the Listing Date and any associates of the aforesaid persons will become a connected person of our Company upon the Listing. Upon the Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

Set out below is a summary of the continuing connected transactions which will continue after the Listing:

Item No.	Nature of transaction(s)	Connected Person(s)	Approximate aggregate historical transaction amount			
			Year ended 31 March 2016 (HK\$'000)	Year ended 31 March 2017 (HK\$'000)	Year ended 31 March 2018 (HK\$'000)	Four months ended 31 July 2018 (HK\$'000)
1.	Purchases of products from our Group	Mr. Lin and his associates and an associate of our chief executive	141	93	24	Nil
2.	Leasing of properties to our Group	Giant Fame Corporation Limited (“ Giant Fame ”), United Wealth Global (HK) Limited (“ United Wealth ”) and Smart Essence Development Limited (“ Smart Essence ”)	900	1,432	2,075	707

All of such continuing connected transactions will be fully exempted continuing connected transactions upon Listing, particulars of which are set out below.

CONNECTED TRANSACTIONS

FULLY EXEMPTED CONTINUING CONNECTED TRANSACTIONS

The Directors confirm that the following transactions, which will continue after the Listing, will constitute continuing connected transactions for our Company which are fully exempted from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(1) **Purchases of products from our Group by our Director and his associates and associate of our chief executive**

During the Track Record Period, Mr Lin and his associates and associate of our chief executive had been purchasing products from our Group at certain discounts and by way of bulk-purchases.

The purchases made by each of Mr Lin and his associates and associate of our chief executive, who or which are our connected persons, was and will be for his or her or its own private use or consumption. From 1 April 2018, such purchases have been made on terms which are no more favourable to the connected persons than those available to Independent Third Parties. On the basis of the foregoing and as such sales by our Group are on normal commercial terms and in the ordinary and usual course of our business, these transactions are exempted continuing connected transactions.

(2) **Leasing of properties to our Group**

During the Track Record Period, Ciao International had entered into tenancy agreement (“**Tenancy Agreement**”) with each of Giant Fame, United Wealth and Smart Essence (collectively “**Connected Landlords**”), pursuant to which each of the Connected Landlords agreed to lease, and Ciao International agreed to rent, certain properties (“**Properties Leased from Connected Persons**”) respectively owned by each of the Connected Landlords. Summary of the terms of each of the relevant tenancy agreements are as follows:

CONNECTED TRANSACTIONS

	Date of tenancy agreement	Landlord	Tenant	Property	Monthly rental (Note)	Term	Use of property
1.	7 May 2014	Giant Fame	Ciao International	Shop F, Ground Floor, Kam Tong Building, 139-153 Belcher's Street, Hong Kong	HK\$75,000 for the period from 1 April 2014 to 31 March 2019	Fixed term of three years commenced from 1 April 2014 which had expired on 31 March 2017 and had been renewed by renewal tenancy agreement on 17 July 2017 for two years commenced from 1 April 2017, and expiring on 31 March 2019	Retail store
2.	22 June 2016	United Wealth	Ciao International	Shop Nos. 124 and 125, Level 5, Tsui Lam Shopping Centre, Tsui Lam Estate, No.11 Tsui Lam Road, Tseung Kwan O, New Territories, Hong Kong	HK\$55,000, with a rent free period of two months commenced from 11 April 2016 and expired on 10 June 2016	Three years commenced from 11 April 2016 and expiring on 10 April 2019	Retail store
3.	18 October 2017	Smart Essence	Ciao International	Shop Nos.2 and 3, Ground Floor, Commercial Areas of Commercial/Car Park Block within the Commercial/Car Park Accommodation (also known as Noble Square (Wah Kwai Shopping Centre)), Wah Kwai Estate, No.3 Wah Kwai Road, Hong Kong	Base rent of HK\$30,000 or a turnover rent equivalent to 10% of the gross receipts for the month (whichever is higher), with a rent free period of two months commenced from 8 March 2017 and expired on 7 May 2017	Three years commenced from 8 March 2017 and expiring on 7 March 2020	Retail store

Note: The monthly rental paid and payable pursuant to the Tenancy Agreements are exclusive of government rates, management charges and other outgoings and inclusive of government rent.

CONNECTED TRANSACTIONS

Previous transactions and historical rental

Set out below are the historical rental expenses on the Properties Leased from Connected Persons during the Track Record Period:

Landlord	Tenant	Property	Historical rental			
			For the year ended 31 March			Four months ended
			2016	2017	2018	31 July 2018
			HK\$'000	HK\$'000	HK\$'000	HK\$'000
1. Giant Fame	Ciao International	Shop F, Ground Floor, Kam Tong Building, 139-153 Belcher's Street, Hong Kong	900	900	900	300
2. United Wealth	Ciao International	Shop Nos. 124 and 125, Level 5, Tsui Lam Shopping Centre, Tsui Lam Estate, No.11 Tsui Lam Road, Tseung Kwan O, New Territories, Hong Kong	NIL	532	660	220
3. Smart Essence	Ciao International	Shop Nos.2 and 3, Ground Floor, Commercial Areas of Commercial/Car Park Block within the Commercial/Car Park Accommodation (also known as Noble Square (Wah Kwai Shopping Centre) Wah Kwai Estate, No.3 Wah Kwai Road, Hong Kong	NIL	NIL	515	187

For the years ended 31 March 2016, 2017 and 2018 and for the four months ended 31 July 2018, the aggregate rental paid by Ciao International for leasing the Properties Leased from Connected Persons were approximately HK\$0.9 million, HK\$1.4 million, HK\$2.1 million and HK\$0.7 million, respectively.

Estimated aggregate annual rental and basis

Given that Giant Fame, United Wealth and Smart Essence are under common control and the nature of the continuing connected transactions under the Tenancy Agreements is the same, these continuing connected transactions are aggregated pursuant to Rule 14A.81 of the Listing Rules. The estimated aggregate annual rental (exclusive of government rent, rates, management charges and other outgoings) payable by Ciao International for each of the three years ending 31 March 2019, 2020 and 2021 will not exceed HK\$2.5 million, HK\$0.9 million and nil, respectively (“**Estimated Aggregate Annual Rental**”). The Estimated Aggregate Annual Rental is estimated based on (i) the fixed monthly rental payable under the Tenancy Agreement entered into by Ciao International with each of Giant Fame and United Wealth; and (ii) the highest monthly turnover rent paid by Ciao International to Smart Essence in the year ended 31 March 2018 pursuant to the Tenancy

CONNECTED TRANSACTIONS

Agreement entered into with Smart Essence, which were all determined after arm's length negotiations with reference to the prevailing market rates of similar properties in the vicinity of the Properties Leased from Connected Persons.

According to Grant Sherman, an independent qualified valuer engaged by our Group, the monthly rental payable under the Tenancy Agreements for the Properties Leased from Connected Persons are fair and reasonable and comparable to the prevailing market rents for similar properties in the vicinity as at the date of the respective Tenancy Agreements.

Implications under the Listing Rules

Giant Fame, United Wealth and Smart Essence are the connected persons of our Company after Listing since:

- (i) Giant Fame is wholly owned by Mr Lin, our Controlling Shareholder and executive Director, hence, it is a connected person of our Company;
- (ii) United Wealth is wholly-owned by United Wealth Global Limited, which in turn is owned as to 33.3% by Mr Lin, our Controlling Shareholder and executive Director, and as to 33.3% by each of two Independent Third Parties. Accordingly, United Wealth is an associate of Mr Lin, and is therefore a connected person of our Company.
- (iii) Smart Essence is wholly-owned by Sura Magic International Limited, which in turn is owned as to 50% by Mr Lin, our Controlling Shareholder and executive Director, and as to 50% by an Independent Third Party. Accordingly, Smart Essence is an associate of Mr Lin, and is therefore a connected person of our Company.

The transactions contemplated under the Tenancy Agreements will constitute continuing connected transactions for our Company pursuant to the Listing Rules.

Our Directors (including our independent non-executive Directors) consider that the Tenancy Agreements were entered into on an arm's length basis and in the ordinary and usual course of business, and that the transactions contemplated under the Tenancy Agreements are on normal commercial terms and are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

Given that each of the applicable percentage ratios for the transactions contemplated under the Tenancy Agreements in aggregate calculated by reference to Rule 14.07 of the Listing Rules is expected to be less than 5% and the aggregate annual rental for the remaining terms of the Tenancy Agreements is expected to be less than HK\$3,000,000 on an annual basis, the transactions contemplated under the Tenancy Agreements will be fully exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Should there be any change in the annual rental payable under the Tenancy Agreements so as to make the aggregate annual rental payable under the Tenancy Agreements no longer fully exempt under Chapter 14A of the Listing Rules, we will take necessary steps to comply with the applicable requirements under the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Our Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our periodic financial budgets and reports, formulating proposals for profit distributions and exercising other powers, functions and duties as conferred by our Articles of Association. We have entered into a service agreement with each of our executive Directors, and have entered into a letter of appointment with each of our independent non-executive Directors. The table below sets forth certain information regarding the current members of our Board:

Name	Age	Position in our Company	Date of appointment as a Director	Year of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Lin Tsz Fung (林子峰)	47	Chairman of the Board and Executive Director	24 January 2018	2013	Formulating our Group's strategic planning and overall business development and overseeing overall management and operation of our Group	None
Ms. Hui Ngai Fan (許毅芬)	39	Executive Director	24 January 2018	2013	Formulating our Group's strategic planning and overall business development and overseeing overall management and operation of our Group	Sister of Mr. Hui Chi Kwan
Mr. Sze Irons (施榮懷)	57	Independent non-executive Director	18 December 2018	2018	Supervising and providing independent advice to the Board	None
Ms. Choy So Yuk (蔡素玉)	68	Independent non-executive Director	18 December 2018	2018	Supervising and providing independent advice to the Board	None
Mr. Lee Ka Lun (李家麟)	63	Independent non-executive Director	18 December 2018	2018	Supervising and providing independent advice to the Board	None

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

The table below sets forth certain information regarding our senior management:

Name	Age	Present Position	Year of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Hui Chi Kwan (許志群)	41	Chief Executive Officer	2015	Overseeing day to day management and reporting to and executing decisions from the Board	Brother of Ms. Hui Ngai Fan
Ms. Hung Man Chi (洪敏治)	55	Chief Financial Officer	2013	Overseeing the overall financial position and accounting matters of our Group and overseeing corporate governance and maintaining risk management and internal control system	None
Ms. So Sze Nga (蘇詩雅)	35	Purchasing Manager	2014	Formulating and executing procurement plan, building and managing supply chain, overseeing inventory control and quality control	None
Ms. Lee Choi Lan (李彩蘭)	52	Senior Operation Manager	2017	Managing sales operation our retail stores, implementing store sales strategies, formulating strategies for optimising operational efficiency	None

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Present Position	Year of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Ms. Yu Wai Tan (余慧丹)	42	Senior Marketing Manager	2016	Formulating and executing marketing strategies and promotional plans for sales and brand building	None
Mr. Tsang Man Wai (曾文偉)	36	Logistics Manager	2015	Managing operation in warehouses, overseeing stock replenishment and logistics, assisting inventory control and overseeing quality check	None

Executive Directors

Mr. Lin Tsz Fung (林子峰), aged 47, one of the founders of our Group, is our chairman and was appointed as an executive Director on 24 January 2018. Mr. Lin is also one of our Controlling Shareholders. Mr. Lin is primarily responsible for formulating our Group's strategic planning and overall business development and overseeing overall management and operation of our Group. Mr. Lin is also a director of Ciao International, Quality Food 360° and Best Mart BVI. He is also chairman and chief executive officer of Ko Shi Wai (Holdings) Company Limited ("**New Ko Shi Wai**"), a private company in Hong Kong since 2006 which operates other retail stores in Hong Kong principally engaged in the sales of footwear and lifestyle products, such as stationery, digital accessories, daily and household necessities, party supplies, toys, beauty products, etc. Mr. Lin has accumulated over 20 years of experience in retail and wholesale businesses. Such experience is mainly gained from wholesale and/or retail of footwear and/or lifestyle products in Hong Kong since 1996 through operating a deregistered "Ko Shi Wai (Holdings) Company Limited" for the period between July 1996 and April 1999, Ko Shi Wai Shoes Wholesales Company for the period between July 1997 and March 2007, and New Ko Shi Wai since February 2006. Mr. Lin was responsible for the overall development and operation of deregistered Ko Shi Wai (Holdings) Company Limited and Ko Shi Wai Shoes Wholesales Company. For New Ko Shi Wai, Mr. Lin is only responsible for the overall strategic planning of such company and has not participated in the day-to-day management and operation of that company.

Mr. Lin was a member of the 11th Qing Hai Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆青海省委員會). Mr. Lin was appointed as a director of The Hong Kong Fujian Charitable Education Fund (香港福建希望工程基金會) since 2014, a permanent honorary president of Hong Kong Federation of Fujian Associations Limited (香港福建社團聯會有限公司) in 2013, a vice president of The Federation of Hong Kong Footwear Limited (香港鞋業(1970)總會有限公司) in 2014, a permanent honorary president of Hong Kong Federation of Chendai Zhen Clans Limited (香港陳埭鎮同鄉總會有限公司) in 2016, and a vice president of The Federation of Jinjiang Hong Kong Associations Limited (formerly known as "JinJiang Clans Association (H.K.) Limited") (香港晉江社團總會有限公司, formerly known as 「香港晉江同鄉會有限公司」) in 2013. Mr. Lin was admitted as Honorary Fellow by The Professional Validation Centre of Hong Kong Business Sector in July 2017.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lin was a director of the following companies which were incorporated in Hong Kong and dissolved by deregistration by the Registrar of Companies of Hong Kong pursuant to section 291AA of the Predecessor Companies Ordinance (for deregistration applied before 3 March 2014), or section 751 of Companies Ordinance (for deregistration applied after 3 March 2014) (collectively “**Deregistration**”). The relevant details of such dissolution of companies are as follows:

	Name of Company	Principal business activity prior to Dissolution	Date of Dissolution	Means of Dissolution
1.	Ko Shi Wai (Holdings) Company Limited (高士威(集團)有限公司)	No business operation	6 August 2004	Deregistration (Note 1)
2.	Great Most Corporation Limited (英毅有限公司)	No business operation	12 September 2014	Deregistration (Note 2)
3.	Luck Power Enterprise Limited (裕能企業有限公司)	No business operation	31 October 2014	Deregistration (Note 2)
4.	Easy Sky Capital Investment Limited (順天創富有限公司)	No business operation	12 December 2014	Deregistration (Note 2)
5.	Honest Max Limited (誠滿有限公司)	No business operation	5 June 2015	Deregistration (Note 2)
6.	Smart Reach Investments Limited (兆達投資有限公司)	No business operation	18 March 2016	Deregistration (Note 2)
7.	Ease China Investment Limited (宜華投資有限公司)	No business operation	18 March 2016	Deregistration (Note 2)
8.	Ever Famous Enterprise Limited (恒銘企業有限公司)	No business operation	18 March 2016	Deregistration (Note 2)
9.	Fast Star Capital Investment Limited (捷星創富有限公司)	No business operation	18 March 2016	Deregistration (Note 2)
10.	Forever Joy Creation Limited (恒欣創建有限公司)	No business operation	18 March 2016	Deregistration (Note 2)
11.	Ultra Jumbo Limited (極浩有限公司)	No business operation	18 March 2016	Deregistration (Note 2)

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	Name of Company	Principal business activity prior to Dissolution	Date of Dissolution	Means of Dissolution
12.	Mega Rich Creation Limited (萬發創建有限公司)	No business operation	3 June 2016	Deregistration (Note 2)
13.	Good Point Industrial Limited (向裕實業有限公司)	No business operation	15 July 2016	Deregistration (Note 2)
14.	Prosperity Development Limited (榮東發展有限公司)	No business operation	20 July 2018	Deregistration (Note 2 and 3)

Notes:

- Under the Predecessor Companies Ordinance, an application to deregister a private company can only be made if (i) all the members of the company agree to the deregistration; (ii) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (iii) the company has no outstanding liabilities (“**Deregistration under Predecessor Companies Ordinance**”).
- Under the Companies Ordinance, an application to deregister a private company is also required to satisfy (in addition to the requirements set out in Note 1 above) other requirements that at the time of the application for deregistration: (i) the company is not a party to any legal proceedings; (ii) the company’s assets do not consist of any immovable property situate in Hong Kong; and (iii) if the company is a holding company, none of its subsidiary’s assets consist of any immovable property situate in Hong Kong (“**Deregistration under Companies Ordinance**”).
- Under the Companies Ordinance, a director, a member or creditor of a deregistered private company may apply to the Court for the restoration of the company to the Companies Register. Mr. Lin has filed an application to the High Court for restoration of Prosperity Development Limited on 13 November 2018.

Mr. Lin confirmed that all of the 14 companies aforementioned had no business operation and were solvent at the time of deregistration. Mr. Lin also confirmed that there was no wrongful act on his part leading to the dissolution, and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Ms. Hui Ngai Fan (許毅芬), aged 39, one of the founders of our Group, was appointed as an executive Director on 24 January 2018. Ms. Hui is also one of our Controlling Shareholders. She is the sister of Mr. Hui, our chief executive officer. Ms. Hui is primarily responsible for formulating our Group’s strategic planning and overall business development and overseeing overall management and operation of our Group. Ms. Hui is also a director of Ciao International, Quality Food 360° and Best Mart BVI. Ms. Hui has over 8 years of experience in the retail industry. Before the inception of the business of our Group in April 2013, Ms. Hui worked as a shop manager of Pak Hung International Trading Company Limited (“**Pak Hung**”), a company principally engaged in the sales of handbags and leather goods for the period between April 2010 and July 2012. During her tenure with Pak Hung, Ms. Hui was responsible to supervise the daily operation of retail store. During the period between April 2004 and March 2007, Ms. Hui worked as a sales executive of retail stores principally engaged in the retail and wholesale of household consumable and was responsible to execute sales strategies of the business and was then promoted to shop manager of the retail business for the period between April 2007 to April 2010 and was responsible to overseeing shop operation.

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Besides, Ms. Hui was also a director of Wellington Dispensary Limited (威靈頓藥業有限公司), a company incorporated in Hong Kong, which principal business was operation of dispensary prior to its deregistration on 5 May 2017 due to cessation of business. Ms. Hui confirmed that Wellington Dispensary Limited had no business operation since September 2014 and was solvent at the time of its deregistration. Ms. Hui also confirmed that there was no wrongful act on her part leading to the dissolution and she is not aware of any actual or potential claim that has been or will be made against her as a result of such dissolution.

Independent non-executive Directors

Mr. Sze Irons (施榮懷) B.B.S., J.P., aged 57, was appointed as an independent non-executive Director on 18 December 2018. Mr. Sze obtained a Bachelor of Science from the University of Wisconsin- La Crosse in May 1985. He is currently the vice supervisor of the Committee of Human Resources and Environment of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會人口資源環境委員會副主任), a member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議北京市委員會委員) and the Permanent Honorary President of The Chinese Manufacturers' Association of Hong Kong. Mr. Sze was appointed the Justice of the Peace in 2011 and was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2015.

Mr. Sze is a director of Hang Tung Resources Limited ("**Hang Tung**"), a private company in Hong Kong, since March 1984. Hang Tung is principally engaged in property investment, import and export trading, provision of management services and share investment. Mr. Sze is principally responsible for overall strategic planning and day to day management of business operation of Hang Tung.

Mr. Sze is an independent non-executive director of Chevalier International Holdings Limited (Stock Code: 25), Continental Holdings Limited (Stock Code: 513) and ST International Holdings Company Limited (Stock Code: 8521) respectively, and a non-executive director of China Weaving Materials Holdings Limited (Stock Code: 3778), all of which are listed companies in Hong Kong.

Mr. Sze is also a non-executive director of Bel Global Resources Holdings Limited ("**Bel Global**") since 1 February 2017, which shares were listed on the Main Board of the Stock Exchange with Stock Code 761. Trading in the shares of Bel Global had been suspended since 4 July 2011. The Listing Committee determined on 11 May 2017 to cancel the listing of Bel Global's shares, which decision was upheld by the Listing (Review) Committee on 15 December 2017 and by the Listing Appeals Committee on 13 August 2018. The listing of the shares of Bel Global was cancelled by the Stock Exchange with effect from 24 August 2018.

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Mr. Sze was a director of the following companies which were incorporated in Hong Kong and dissolved by (i) Deregistration; or (ii) striking off by the Registrar of Companies of Hong Kong pursuant to section 291 of the Predecessor Companies Ordinance; or (iii) creditors' voluntary winding up pursuant to section 248 of the Predecessor Companies Ordinance. The relevant details of such dissolution of companies are as follows:

	Name of Company	Principal business activity prior to Dissolution	Date of Dissolution	Means of Dissolution
1.	Jack King Limited (崑崙有限公司)	No business operation	9 February 2001	Deregistration (Note 1)
2.	Glory Hall Properties Limited (國鴻置業有限公司)	No business operation	21 September 2001	Striking Off (Note 2)
3.	Best Liaison International Limited (順騰國際有限公司)	No business operation	6 September 2002	Striking Off (Note 2)
4.	King Mate (H.K.) Limited (帝業(香港)有限公司)	No business operation	6 September 2002	Striking Off (Note 2)
5.	Realgood International Investment Limited (利好國際投資有限公司)	No business operation	6 September 2002	Striking Off (Note 2)
6.	Grandrays Precision Products Limited (輝旺工業有限公司)	No business operation	11 October 2002	Striking Off (Note 2)
7.	Sun Fortune Properties Limited (信祥置業有限公司)	No business operation	20 June 2003	Striking Off (Note 2)
8.	Yan Tung Investment Limited (燕通投資有限公司)	No business operation	20 June 2003	Striking Off (Note 2)
9.	Flamingo Property Agency Limited (紅旗地產代理有限公司)	No business operation	4 March 2005	Deregistration (Note 1)
10.	Berco Group Company Limited (保高集團有限公司)	No business operation	13 April 2007	Deregistration (Note 1)
11.	Treasure Properties Limited (達威置業有限公司)	Property development	3 August 2007	Creditors' voluntary winding up (Note 3)

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	Name of Company	Principal business activity prior to Dissolution	Date of Dissolution	Means of Dissolution
12.	Capital Hall (Hong Kong) Limited (加豪(香港)有限公司)	No business operation	12 February 2010	Deregistration (Note 1)
13.	CMA Marketing Solutions Limited (香港中華廠商聯合會市場策劃及推廣有限公司)	Marketing, public relations, event management and advertising	15 July 2016	Deregistration (Note 4)
14.	Supreme Bright Development Company Limited (浚盈發展有限公司)	No business operation	25 November 2016	Deregistration (Note 4)

Notes:

1. Deregistration under Predecessor Companies Ordinance.
2. Under section 291 of the Predecessor Companies Ordinance, a company will be struck off if the Registrar of Companies in Hong Kong has reasonable cause to believe that a company is not carrying on business or in operation.
3. Pursuant to section 228A of the Predecessor Companies Ordinance, where the directors of a company resolved that the company cannot by reason of its liabilities continue its business, they may deliver to the Registrar of Companies in Hong Kong a winding-up statement, appoint a provisional liquidator and call for a creditor's meeting within 28 days from the delivery of the winding-up statement. A liquidator will be appointed at the creditor's meeting. Pursuant to section 248 of Predecessor Companies Ordinance, after all the affairs of the company have been fully wound up and the liquidator has filed the final accounts and final return to the Registrar of Companies in Hong Kong, the company will be dissolved on the expiration of 3 months from the registration of such final accounts and final return by the Registrar of Companies in Hong Kong.

Mr. Sze was a director of Treasure Properties Limited, a company incorporated in Hong Kong with limited liability on 7 April 1994. He was one of its director and shareholder since its incorporation. On 11 May 2004, the directors of Treasure Properties Limited filed a statement with the Companies Registry pursuant to section 228A(1) of the Predecessor Companies Ordinance to commence voluntary winding up of Treasure Properties Limited. Treasure Properties Limited was subsequently dissolved on 3 August 2007.

4. Deregistration under Companies Ordinance.

Mr. Sze confirmed that save and except for Treasure Properties Limited, all of the aforementioned companies had no business operation and were solvent at the time of dissolution. Mr. Sze also confirmed that there was no wrongful act on his part leading to the dissolution, and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution. In relation to Treasure Properties Limited, Mr. Sze confirmed that all liquidation documents had already been filed; the liquidation process of Treasure Properties Limited has been completed and that there was no outstanding unresolved issue relating thereto, and no action had been brought by the creditors or court against Mr. Sze in his capacity of a director of Treasure Properties Limited.

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Mr. Sze had been a legal representative and the chairman of 湖南榮通化纖有限公司 (transliteration “Hunan Rongtong Chemical Fiber Co Ltd”) (“**Hunan Rongtong**”) which was established in the PRC and was deregistered in 2010. Mr. Sze had also been a director of 恒通(信陽)節能環保材料有限公司(transliteration “Hengtong (Xinyang) Energy Saving Materials Co Ltd”) (“**Hengtong Xinyang**”) which was established in the PRC and was deregistered on 5 July 2018. Mr. Sze confirmed that each of Hunan Rongtong and Hengtong Xinyang was solvent upon its dissolution, the dissolution was not related to Mr. Sze and there was no wrongful act on his part leading to the dissolution. Mr. Sze is also not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Ms. Choy So Yuk (蔡素玉) B.B.S., J.P., aged 68, was appointed as an independent non- executive Director on 18 December 2018. Ms. Choy obtained her Bachelor of Science degree and Master of Philosophy degree from The University of Hong Kong in 1974 and 1980 respectively. Ms. Choy is a deputy of the National People’s Congress of the PRC. She was a member of the Legislative Council of Hong Kong from 1998 to 2008. Ms. Choy was appointed the Justice of the Peace in 2005 and was awarded the Bronze Bauhinia Star by the Government of the HKSAR in 2013.

Ms. Choy is also an independent non-executive director of Silk Road Logistics Holdings Limited (formerly known as “Loudong General Nice Resources (China) Holdings Limited”) (Stock Code: 988) and Evershine Group Holdings Limited (Stock Code: 8022), both of which are listed companies in Hong Kong. She was also an independent non-executive director of Blockchain Group Company Limited (formerly known as “Ping Shan Tea Group Limited”) (Stock Code: 364), a listed company in Hong Kong, from August 2002 to October 2017. Blockchain Group Company Limited had received two winding up petitions on 15 September 2017 and 10 May 2018, respectively. The winding up petition received on 15 September 2017 was dismissed on 26 March 2018. On 19 November 2018, Blockchain Group Company Limited was ordered to be wound up by the High Court of Hong Kong and joint and several liquidators have been appointed on 21 November 2018.

Ms. Choy was a director of the following companies which were incorporated in Hong Kong and dissolved by (i) Deregistration; or (ii) striking off by the Registrar of Companies in Hong Kong under section 744 and section 746 of the Companies Ordinance. The relevant details of such dissolution of companies are as follows:

	Name of Company	Principal business activity prior to Dissolution	Date of Dissolution	Means of Dissolution
1.	Global State International Company Limited (百滔國際貿易有限公司)	No business operation	19 May 2000	Deregistration (Note 1)
2.	Century Network Technology Limited (世紀網絡科技有限公司)	No business operation	31 May 2002	Deregistration (Note 1)
3.	Digital City Limited (倡港有限公司)	No business operation	23 August 2002	Deregistration (Note 1)
4.	Machi Exhibition Limited (美旗展覽有限公司)	No business operation	3 November 2017	Striking off (Note 2)

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Notes:

1. Deregistration under Predecessor Companies Ordinance.
2. Under section 744 and section 746 of the Companies Ordinance, a company will be struck off if the Registrar of Companies in Hong Kong has reasonable cause to believe that a company is not in operation or carrying on a business.

Ms. Choy confirmed that all of the aforementioned four companies had no business operation and were solvent at the time of dissolution. Ms. Choy also confirmed that there was no wrongful act on her part leading to the dissolution and she is not aware of any actual or potential claim that has been or will be made against her as a result of such dissolution.

Mr. Lee Ka Lun (李家麟) aged 63, was appointed as an independent non-executive Director on 18 December 2018. Mr. Lee graduated from Hong Kong Polytechnic (currently known as “The Hong Kong Polytechnic University”) with a higher diploma in accountancy in November 1978. He is a fellow of The Chartered Association of Certified Accountants (now known as “Association of Chartered Certified Accountants”) since 1985. Mr. Lee is also a licenced person under the SFO to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities since March 2008. He is the responsible officer of Asia Investment Management Limited since 10 April 2017.

Mr. Lee is also an independent non-executive director of Chong Hing Bank Limited (Stock Code: 1111), Yuexiu Property Company Limited (Stock Code: 123); Chow Sang Sang Holdings International Limited (Stock Code: 116), Ever Harvest Group Holdings Limited (Stock Code: 1549) and Medicskin Holdings Limited (Stock Code: 8307), all of which are listed companies in Hong Kong. Mr. Lee was also an independent non-executive director of REXLot Holdings Limited (Stock Code: 555), a listed company in Hong Kong, from 17 April 2007 to 29 June 2018.

Our Directors are in the opinion that Mr. Lee will be able to devote sufficient time to discharge his responsibilities as an independent non-executive Director of the Company notwithstanding that he has existing commitments for being an independent non-executive director for five other listed companies in Hong Kong on the basis that Mr. Lee possesses with profound experience in accounting field and has accumulated approximately 18 years’ experience in holding independent non-executive director position for listed companies in Hong Kong that is commensurate for efficiently discharging his responsibilities as an independent non-executive Director of the Company. Further, Mr. Lee has assured to the Company that he is able to devote sufficient time to discharge his responsibilities as an independent non-executive Director of the Company.

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Mr. Lee was a director of the following companies which were incorporated in Hong Kong and dissolved by (i) members' voluntary winding up pursuant to section 239 of the Predecessor Companies Ordinance; or (ii) Deregistration. The relevant details of such dissolution of companies are as follows:

	Name of Company	Principal business activity prior to Dissolution	Date of Dissolution	Means of Dissolution
1.	Lloyds Asia Limited	No business operation	9 May 2000	Members' Voluntary Winding Up (Note 1)
2.	Ever Zenith Investments Limited	No business operation	10 October 2003	Deregistration (Note 2)
3.	HSP Nominees Limited	No business operation	27 February 2005	Members' Voluntary Winding Up (Note 1)
4.	Hill Samuel International Property Services Limited (曉商國際置業有限公司)	No business operation	18 July 2006	Members' Voluntary Winding Up (Note 1)
5.	Gold Partners Limited (栢利萊有限公司)	No business operation	1 March 2013	Deregistration (Note 2)
6.	Bose Consultants Limited (博世顧問有限公司)	No business operation	12 June 2015	Deregistration (Note 3)

Notes:

1. Pursuant to section 233(1) of the Predecessor Companies Ordinance, where the directors of a company resolved that the company will be able to pay its debts in full within 12 months from the commencement of the winding up, they may issue a certificate of solvency. A general meeting must be held within 5 weeks from the date of the certificate of solvency for the passing of special resolution to place the company into members' voluntary liquidation and the appointment of liquidator. Pursuant to section 239 of the Predecessor Companies Ordinance, after all the affairs of the company have been fully wound up and the liquidator has filed the final accounts and final return to the Registrar of Companies in Hong Kong, the company will be dissolved on the expiration of 3 months from the registration of such final accounts and final return by the Registrar of Companies.
2. Deregistration under Predecessor Companies Ordinance.
3. Deregistration under Companies Ordinance.

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Mr. Lee confirmed that all of the aforementioned six companies had no business operation and were solvent at the time of dissolution. Mr. Lee also confirmed that there was no wrongful act on his part leading to the dissolution, and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Each of our independent non-executive Directors has confirmed his/her independence for the purpose of Rule 3.13 of the Listing Rules.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any of our Directors, senior management, Controlling Shareholders or Substantial Shareholders as at the Latest Practicable Date; and (iii) held any other directorship(s) in any other company listed in Hong Kong or overseas in the last three years prior to the Latest Practicable Date. Please refer to “Statutory and General Information- Further Information about our Directors and Substantial Shareholders- 1. Directors (a) Interests and/or short positions of our Directors and chief executive in our shares or the shares of our associated corporation and (b)Particulars of Directors’ service agreements and letters of appointment” in Appendix IV to this prospectus for further information regarding particulars of the Directors’ service agreements and emoluments and details of interests of our Directors (within the meaning of Part XV of the SFO).

Save as disclosed in this prospectus, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other material matters relating to our Directors that need to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Hui Chi Kwan (許志群), aged 41, is the chief executive officer of our Group. Mr. Hui is the brother of Ms. Hui. He is responsible for overseeing day to day management and reporting to and executing decisions from the Board. Mr. Hui was appointed as a member of the 12th and 13th Chinese People’s Political Consultative Conference Jinjiang Municipal Committee (中國人民政治協商會議第十二屆及第十三屆晉江市委員會). He was appointed as vice president and a permanent honorary president of The Fukien Athletic Club (香港福建體育會) since 2015 and was appointed as a vice chairman of Hong Kong Department Stores and Retail General Union (香港百貨及零售業總會) in January 2016. Mr. Hui was admitted as Fellow by The Professional Validation Centre of Hong Kong Business Sector in June 2015.

Mr. Hui was a director of Ciao International for the period between 14 December 2012 and 30 April 2013 during which Ciao International had not yet commenced its business operation. Mr. Hui was also a shareholder of Ciao International for the period between 14 December 2012 and 13 May 2013 and had transferred his shareholding in Ciao International to Quality Food 360° (which was then owned as to 50% by Mr. Lin and as to 50% by Ms. Hui) before Ciao International commenced business operation as Mr. Hui intended to concentrate his efforts in other business and his personal matters. Mr. Hui was subsequently appointed as a chief executive officer of our Group in April 2015. Before joining the Group, Mr. Hui was a director and shareholder of chained retail stores principally engaged in the retail and

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wholesale of household consumable for the period from May 2004 to May 2012 and a general manager of chained retail stores principally engaged in the sales of handbags and apparel for the period from April 2013 to March 2015. Mr. Hui was responsible for formulating business strategies and management systems and overseeing the day-to-day operation of such chained retail businesses. Mr. Hui has over 14 years experience in retail industry.

In March 2012, Mr. Hui was convicted of charges under Section 9(2) of TDO (i.e. Trade Descriptions Ordinance (Cap. 362 of the Laws of Hong Kong)) (“**Offence**”), including charges of possession for sale, of goods bearing forged trade mark and trade mark or mark so nearly resembling a trade mark as to be calculated to deceive (“**Criminal Case**”). Mr. Hui was sentenced to eight months’ imprisonment for the Criminal Case. The background leading to Mr. Hui’s conviction in the Criminal Case is as follows:

- In August 2009, Mr. Hui took over the distribution business (“**PSR Goods Distribution Business**”) of authorized dealer for the sale of handbags and leather goods under the brand name of “Polo Santa Roberta” (“**PSR**”) from an Independent Third Party who had operated retail shops in Hong Kong at locations with high pedestrian flow and visibility for the distribution of PSR goods for over two years. Mr. Hui ran the PSR Goods Distribution Business through a company incorporated in Hong Kong namely “Pak Hung International Trading Company Limited” (“**Pak Hung**”), of which Mr. Hui was the sole shareholder and director. Up until 31 August 2010, 14 retail shops for PSR Goods Distribution Business were operated by Pak Hung and Mr. Hui did not receive any notice(s) and/or any complaint(s) for PSR goods bearing forged trade mark or trade mark so nearly resembling a trade mark as to be calculated to deceive.
- Before taking over the PSR Goods Distribution Business, Mr. Hui had conducted various fundamental due diligence exercises, including reviewing trade marks and registered designs registration documents for PSR goods in the European Union, PRC and Hong Kong provided by a law firm in Hong Kong specializing in intellectual property related legal services.
- At the end of 2009, Burberry Limited, the owner of the registered trade mark “Burberry Check”, applied to the Court of First Instance in Hong Kong to revoke three PSR registered designs which registration were then revoked in July 2010 (“**Revocation**”). The decision for Revocation was affirmed on appeal in December 2010.
- On 31 August 2010, while the appeal on the decision for Revocation carried out by the registered owner of PSR registered designs was still in process, Hong Kong Customs, on the back of complaint from Burberry Limited, procured and seized a number of PSR goods (“**Subject Products**”) from the retail shops and office of Pak Hung which were suspected to have been applied with forged “Burberry” trade mark (“**Seizure of Subject Products**”) and Mr. Hui was arrested.

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- The Offence was a strict liability offence that does not require proof of guilty intent and the commission of which does not necessarily involve an intention to deceive. Although a statutory defence is available under Section 26(4) of TDO for the person charged for an offence under Section 9(2) of TDO (“**Statutory Defence**”), the evidential burden in proving the Statutory Defence falls on the person charged for the offence and the standard of proof is “on the balance of probabilities” that the person did not know, had no reason to suspect and could not with reasonable diligence have ascertained that a forged trade mark had been applied to the goods sold by such person.
- In the trial of the Criminal Case at the Court of First Instance, the judge (“**Judge**”) found that Mr. Hui did not have knowledge that the trade marks in question were forged trade marks or trade marks so nearly resembling a trade mark as to be calculated to deceive. Mr. Hui was, however, convicted on the basis that, although Mr. Hui had, for the purpose of the Statutory Defence, satisfied the requirement of lack of knowledge under Section 26(4) of TDO, Mr. Hui failed to prove on a balance of probability that he also satisfied the other two requirements for the Statutory Defence, namely, “he had no reason to suspect” and “he could not with reasonable diligence have ascertained that the trade marks in question were forged”. Mr. Hui was therefore held unable to discharge the burden of proof on his innocence and was convicted and sentenced to eight months’ imprisonment. The appeal on the conviction of Mr. Hui was dismissed by the Court of Appeal of Hong Kong in November 2013 on the same basis.

Mr. Hui is not related to the Independent Third Party which supplied PSR goods. Since the Seizure of Subject Products, Pak Hung ceased to distribute the Subject Products. The business operation of Pak Hung in distributing other PSR goods ceased in July 2012.

Our Directors consider that the conviction would not affect the suitability of Mr. Hui to act as the chief executive officer of our Group given that (i) the Judge found that Mr. Hui did not have knowledge that the trade marks in question were forged trade marks or trade marks so nearly resembling a trade mark as to be calculated to deceive, Mr Hui’s commission of the offence was accepted by the Court as unintentional; (ii) the nature of the conviction did not involve dishonest or fraudulent conduct on the part of Mr. Hui; (iii) Mr. Hui possesses the requisite skills, care, diligence and experience in retail business as demonstrated in his biography above; and (iv) the satisfactory performance of Mr. Hui since his appointment as the chief executive officer of our Group in April 2015 as reflected by the remarkable growth of business of our Group in a substantial compliant manner has demonstrated his competence in the position.

Ms. Hung Man Chi (洪敏治) (“**Ms. Hung**”), aged 55, is the chief financial officer of our Group. Ms. Hung joined our Group in September 2013 as an account officer. She was promoted as our accountant in April 2015 and further promoted as the chief financial officer of our Group in November 2017. She is primarily responsible for overseeing the overall financial position and accounting matters of our Group and overseeing corporate governance and maintaining risk management and internal control system.

Ms. Hung obtained a Higher Stage Diploma in Higher Accounting from the City College of Commerce in 1988. She was admitted as a member of the Hong Kong Institute of Certified Public Accountants in September 2010. She was admitted as a member of and has become a fellow of the Association of Chartered Certified Accountants in November 2008 and November 2013 respectively.

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Ms. Hung has over 20 years of experience in finance and accounting management. Before joining our Group, Ms. Hung served as an accounting officer in Finance & Supplies Division for the Tung Wah Group of Hospitals from October 2007 to October 2011. She also previously worked as an accountant for Freeman Corporation Limited (now known as “Freeman Fintech Corporation Limited”, a listed company in Hong Kong with Stock Code 279) from September 2006 to September 2007 and for AMW H.K. Limited from July 2001 to July 2006. During the period between March 1993 to June 1994 and the period between December 1996 to February 2001, she worked as senior accountant and accountant for Guang Lin Industries Co., Ltd. Ms. Hung also worked as an assistant accountant for Lo’s Cleaning Services Ltd. from August 1994 to December 1996 and an accountant for Ho and Ho & Company, Certified Public Accountants from July 1989 to March 1993.

Ms. So Sze Nga (蘇詩雅) (“Ms. So”), aged 35, is the purchasing manager of our Group and is principally responsible for formulating and executing procurement plan, building and managing supply chain, overseeing inventory control and quality control. Ms. So joined our Group in November 2014 as a buyer. She was then promoted to assistant purchasing manager in April 2016 and was further promoted to purchasing manager in September 2016. Ms. So worked for PARKnSHOP (HK) Limited as senior buyer from March 2013 to March 2014 and as buyer from August 2010 to February 2013 and from August 2005 to April 2009. She was key customer manager for Colgate-Palmolive (H.K.) Limited from March 2014 to October 2014. Ms. So received a Bachelor of Business Administration in Management Science from the City University of Hong Kong in November 2005.

Ms. Lee Choi Lan (李彩蘭) (“Ms. Lee”), aged 52, is the senior operation manager of our Group. Ms. Lee joined our Group in September 2017 and is principally responsible for managing sales operation of our retail stores, implementing store sales strategies and formulating strategies for optimising operational efficiency. Ms. Lee worked at the group of Veeko International Holdings Limited (Stock Code: 1173), a listed company in Hong Kong from December 1996 to August 2017 which operates several retail brands, such as Wanko, Veeko and Colourmix, where she last served as area manager for Colourmix Cosmetics Co. Ltd.. Ms. Lee graduated from 廣東省郵電學校 (Guangdong School of Post and Telecom) (now known as “廣東郵電職業技術學院” (Guangdong Vocational College of Post and Telecom)) studying international post and telecommunications in July 1986.

Ms. Yu Wai Tan (余慧丹) (“Ms. Yu”), aged 42, is the senior marketing manager of our Group. Ms. Yu joined our Group in November 2016 and is principally responsible for formulating and executing marketing strategies and promotional plans for sales and brand building. Before joining our Group, Ms. Yu worked for Dah Chong Hong, Ltd. as marketing assistant from April 2000 to June 2002, as manager from April 2015 to December 2016 and as senior manager from January 2016 to November 2016. She also held various positions in the group of China Resources Vanguard from November 2010 to March 2013, where she last served as assistant director of marketing department in a PRC subsidiary of China Resources Vanguard group. Ms. Yu received a Bachelor of Arts (Honours) in Public and Social Administration in November 1998 from City University of Hong Kong, and received a diploma in marketing from The University of Hong Kong School of Professional and Continuing Education in May 2002.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Tsang Man Wai (曾文偉) (“**Mr. Tsang**”), aged 36, is the logistics manager of our Group. Mr. Tsang joined our Group in October 2015 and is principally responsible for managing operation in warehouses, overseeing stock replenishment and logistics, assisting inventory control and overseeing quality check. Mr. Tsang previously worked as warehouse supervisor at NEC Logistics Hong Kong Limited from November 2006 to May 2013. He also worked as contract storekeeper for Exel Hong Kong Limited (i.e. DHL) from September 2005 to October 2006. Mr. Tsang completed a course on Food Labelling and Regulations from The University of Hong Kong School of Professional and Continuing Education in April 2017. He also completed a course on Principles of Management from the School of Continuing Education Hong Kong Baptist University in 2009.

QUALITY ASSURANCE OFFICER

Ms. Chan Sze Wing (陳詩詠) (formerly known as “**Chan Chor Kiu** (陳楚翹)”) (“**Ms. Chan**”), aged 29, is the quality assurance officer of our Group. Ms. Chan joined our Group in July 2017 and is principally responsible for monitoring and reviewing food safety and quality management system and labelling system of our Group, ensuring compliance with relevant statutory and regulatory requirements on food safety and quality control. Ms. Chan held various positions in Vita Green Pharmaceutical (H.K.) Ltd. from October 2011 to March 2017, where she last served as quality control technician. She graduated with Higher Diploma in Food Technology and Environmental Health from the Hong Kong Institute of Vocational Education in July 2009, and received a Bachelor of Science in Food Safety and Technology from The Hong Kong Polytechnic University in October 2011. Ms. Chan received Level 3 Award in Hazard Analysis & Critical Control Point (HACCP) for Food Manufacturing from the Chartered Institute of Environmental Health, London, United Kingdom in April 2011.

COMPLIANCE OFFICER

Mr. Wong Chee Wai, Terry (黃志偉) (“**Mr. Wong**”), aged 58, is the compliance officer of our Group. Mr. Wong joined our Group on 6 July 2018. Mr. Wong obtained a Bachelor of Business Administration from The Chinese University of Hong Kong in December 1983. He obtained his Bachelor of Laws from Victoria University of Manchester (currently known as the “University of Manchester”) in July 1986 and Master of Laws from the University of Hong Kong in December 1990. Mr. Wong passed the Solicitors’ Final Examination of The Law Society of England and Wales in October 1991. He was admitted as a solicitor in Hong Kong in May 1994.

Before joining our Group, Mr. Wong was a Senior Lecturer with the United International College, Zhuhai, China, from 1 September 2014 to 31 August 2016 and from 6 February 2017 to 5 July 2018. He was previously a legal counsel at the group of Brightoil Petroleum (Holdings) Limited (Stock Code: 933), a listed company in Hong Kong, from December 2013 to May 2014. Mr. Wong was an assistant solicitor in the Litigation Department of Kao, Lee & Yip from December 2007 to December 2013 and assistant solicitor in the Litigation Department of Gallant Y. T. Ho & Co. from June 1997 to June 1999.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPANY SECRETARY

Ms. Hung Ching Yuen (洪靜遠) (“Ms. Hung”), aged 39, is the company secretary of our Company. Ms. Hung graduated from the University of Hong Kong and obtained her Bachelor of Laws degree and Postgraduate Certificate in Laws in 2001 and 2002 respectively. She obtained her Master of Laws degree from University College London in 2003. Ms. Hung was admitted as a solicitor in Hong Kong in January 2006 and was appointed as the company secretary of our Company on 18 December 2018. Ms. Hung is also the company secretary of AKM Industrial Company Limited (Stock Code: 1639), a listed company in Hong Kong, since 13 June 2011 and a solicitor in Tracy Ong & Co. since 2007.

BOARD COMMITTEES

Audit Committee

Our Company established the audit committee on 18 December 2018 in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee comprises of three independent non-executive Directors, namely, Mr. Sze Irons, Ms. Choy So Yuk and Mr. Lee Ka Lun. The chairman of the audit committee is Mr. Lee Ka Lun (who has a professional qualification in accountancy). The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

Our Company established the remuneration committee on 18 December 2018 in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The remuneration committee comprises of two independent non-executive Directors and one executive Director, namely, Mr. Sze Irons, Ms. Choy So Yuk, and Mr. Lin. The chairman of the remuneration committee is Mr. Sze Irons. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management’s remuneration proposals with reference to the Board’s corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

Nomination Committee

Our Company established the nomination committee on 18 December 2018 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The nomination committee comprises of two independent non-executive Directors and one executive Director, namely, Ms. Choy So Yuk, Mr. Lee Ka Lun and Ms. Hui. The chairman of the nomination committee is Ms. Choy So Yuk. The primary function of the nomination committee is to make recommendations to our Board on the appointment of members of our Board.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability. To this end, our Company intends to comply with the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules after the Listing.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Lego Corporate Finance Limited to be the compliance adviser. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where our Company proposes to use the net proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on the date on which our Company distributes our annual report in respect of our financial results for the full financial year commencing after the Listing Date in compliance with Rule 13.46 of the Listing Rules.

REMUNERATION POLICY

Our executive Directors, independent non-executive Directors and senior management receive compensation in the form of fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of the Directors and senior management, as well as the performance of our Group. Our Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for provision of services to our Group or executing their functions in relation to our Group's operations. Our Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, respective responsibilities of the Directors and performance of our Group.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

After the Listing, the remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their experience, responsibilities, workload and time devoted to our Group and performance of our Group. The Directors may also be offered options under the Share Option Scheme.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

During each of the year ended 31 March 2016, 31 March 2017 and 31 March 2018 and the four months ended 31 July 2018, the aggregate directors' fee, salaries and allowances and retirement benefits scheme contribution, other benefits in kind and/or discretionary bonuses, paid by our Group to the Directors were nil, nil, approximately HK\$0.3 million and approximately HK\$0.1 million respectively.

During each of the year ended 31 March 2016, 31 March 2017, 31 March 2018 and the four months ended 31 July 2018, the aggregate salaries and allowances, discretionary bonuses and retirement benefits scheme contribution paid by our Group to the five highest paid individuals were approximately HK\$2.0 million, HK\$2.1 million, HK\$5.6 million and HK\$1.5 million respectively.

During each of the year ended 31 March 2016, 31 March 2017 and 31 March 2018 and the four months ended 31 July 2018, no emoluments were paid by our Group to our Directors or any of the five highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office. No directors or any of the five highest paid individual waived or agreed to waive any emoluments during each of the year ended 31 March 2016, 31 March 2017, 31 March 2018 and the four months ended 31 July 2018.

Save as disclosed above, no other emoluments have been made or are payable by our Group to our Directors and the five highest paid individuals in respect of each of the financial year ended 31 March 2016, 31 March 2017, 31 March 2018 and the four months ended 31 July 2018.

Under our arrangements currently in force, we estimate that the aggregate remuneration (including directors' fee, salaries and allowances and retirement benefits scheme contribution and other benefits in kind but excluding discretionary bonus), of our Directors for the year ending 31 March 2019 will be approximately HK\$0.9 million.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

EMPLOYEES

As at 31 July 2018, our Group had a total of 583 full-time and part-time employees in Hong Kong. The following table sets forth a breakdown of the number of our full-time and part-time employees of our Group by functional role as at 31 July 2018:

Functions	Number of employees
Management, human resources and administration	19
Procurement and quality control	12
Marketing	7
Finance and accounting	13
General affairs and leasing	9
Logistics and warehousing	76
Operation	447
Total:	583

Our Directors are of the opinion that our employee is one of the valuable assets of our Group and is vital to our business. In order to attract, retain and motivate qualified employees, in addition to our base salaries, we also offer discretionary annual bonus to all of our employees and, for our front-line staff, performance-related bonus, sales target bonus and miscellaneous duties-related allowances. Besides, we also offer various benefit plans to our employees, including staff shopping discounts, top-up leave entitlement and medical insurance.

We conduct periodical review on the performance of our employees from time to time and make reference to such performance reviews for assessing discretionary annual bonus, salary adjustments and promotion appraisals. During each of the year ended 31 March 2016, 31 March 2017 and 31 March 2018 and the four months ended 31 July 2018, the staff costs including salaries, bonuses, retirement benefits scheme contribution paid and other staff benefits by our Group amounted to approximately HK\$36.6 million, HK\$56.5 million, HK\$87.7 million and HK\$33.8 million respectively.

Training

To continuously improve the performances of our employees, we provide in house training programs to newly recruited employees and front-line staff and management that provide orientation, enhance skills, knowledge, occupational safety, fertility, sense of belongings of our employees and educate our employee, the duties to complying with statutory obligations. Besides, we also provide sponsorship for our employee's personal development.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Recruitment

We generally recruit our employees from the open market. We recruit our employees based on various factors such as their experience in retail industry. Newly recruited employees are required to undergo a probation period.

During the Track Record Period, our Group had not experienced any significant difficulties in recruiting employees, and had not experienced any significant staff or labour disputes.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group:

Name of Shareholder	Nature of Interest	Shares held immediately following the completion of the Capitalisation Issue and the Share Offer (Note 1)	Percentage of shareholding in our Company immediately following the completion of the Capitalisation Issue and the Share Offer
Long Ease (Note 2)	Beneficial owner	750,000,000 (L)	75%
Mr. Lin (Note 2)	Interest in controlled corporation	750,000,000 (L)	75%
Ms. Lee Wai Bing (Note 3)	Interest of spouse	750,000,000 (L)	75%
Ms. Hui (Note 2)	Interest in controlled corporation	750,000,000 (L)	75%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. Long Ease is beneficially owned as to 50% by Mr. Lin and as to 50% by Ms. Hui. By virtue of the SFO, each of Mr. Lin and Ms. Hui is deemed to be interested in the Shares held by Long Ease. On equality of votes of directors' meeting and shareholders' meeting in Long Ease, Mr. Lin has casting vote.
3. Ms. Lee Wai Bing is the spouse of Mr. Lin. By virtue of the SFO, Ms. Lee Wai Bing is deemed to be interested in the same number of Shares in which Mr. Lin is deemed to be interested under the SFO.

Save as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and Share Offer (without taking into account the Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of any member of our Group.

SHARE CAPITAL

SHARE CAPITAL

The authorised and issued share capital of our Company are as follows:

HK\$

Authorised share capital:

<u>10,000,000,000</u> Shares	<u>100,000,000</u>
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Without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the share capital immediately following the Capitalisation Issue and the Share Offer will be as follows:

Shares issued and to be issued, fully paid or credited as fully paid:

2,000,000 Shares in issue as at the date of this prospectus	20,000
748,000,000 Shares to be issued pursuant to the Capitalisation Issue	7,480,000
<u>250,000,000</u> Shares to be issued pursuant to the Share Offer	<u>2,500,000</u>

Total issued Shares on completion of the Share Offer

<u>1,000,000,000</u> Shares	<u>10,000,000</u>
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Assumptions

This table above assumes that the Share Offer and the Capitalisation Issue become unconditional and the issue of Shares pursuant thereto is made as described herein. It takes no account of any Shares which may be allotted and issued upon the exercise of options which have been or may be granted under the Share Option Scheme, or which may be allotted and issued under the general mandate to allot, issue and deal with Shares (see below), or which may be purchased by our Company pursuant to the general mandate to repurchase securities (see below).

Minimum public float

Pursuant to Rule 8.08(1)(a) and (b) of the Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

Ranking

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as set out in the table above (except for the entitlement under the Capitalisation Issue) and, in particular, will qualify for all dividends or other distributions declared, paid or made on the Shares after the date of this prospectus.

SHARE CAPITAL

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 18 December 2018. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed “Statutory and General Information – Other Information – 1. Share option scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been conditionally granted a general unconditional mandate to allot, issue and deal with Shares in the share capital of our Company with a total number of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme); and
- the total number of Shares repurchased by our Company (if any) repurchased pursuant to the general mandate to repurchase Shares granted to the Directors referred to below.

The Directors may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares pursuant to a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any options granted under the Share Option Scheme.

This general mandate will expire:

- at the conclusion of the next annual general meeting of our Company; or
- at the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association of our Company or any applicable Cayman Islands law to be held; or
- when the authority given to our Directors is revoked or varied by passing an ordinary resolution of our Shareholders in general meeting of our Company,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information – Further information about our Company and our subsidiaries – 3. Written resolutions of all Shareholders of our Company passed on 18 December 2018” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been conditionally granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total number of not more than 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

SHARE CAPITAL

This general mandate for repurchase only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws, rules and regulations. A summary of the relevant requirements of the Listing Rules on this repurchase mandate is set out in “Statutory and General Information – Further information about our Company and our subsidiaries – 6. Repurchase by our Company of our own securities” in Appendix IV to this prospectus.

This repurchase mandate will expire:

- at the conclusion of the next annual general meeting of our Company; or
- at the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association of our Company or any applicable Cayman Islands law to be held; or
- when the authority given to our Directors is revoked or varied by passing an ordinary resolution of our Shareholders in general meeting of our Company,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraphs headed “Statutory and General Information – Further information about our Company and our subsidiaries – 3. Written resolutions of all Shareholders of our Company passed on 18 December 2018” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. For further details, please see “Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association – (a) Shares – (iii) Alteration of capital” in Appendix III to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Shares or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please see the paragraph headed “Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our Group's financial condition and results of operations in conjunction with our audited combined financial statements as of and for each of the years ended 31 March 2016, 2017, 2018 and the four months ended 31 July 2018, including notes thereto set forth in the Accountants' Report included as Appendix I to this prospectus (the "Historical Financial Information"). Our Historical Financial Information has been prepared in accordance with the HKFRSs. You should read the whole Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For further information, you should refer to the section "Risk Factors" and "Forward-looking Statements" in this prospectus.

OVERVIEW

We are a leisure food retailer operating chain retail stores under our brand "Best Mart 360° (優品 360°)" in Hong Kong since the inception of our business in 2013. It is our business objective to offer "Best Quality" and "Best Prices" products to our customers through our continuous efforts on global procurement with a mission to provide comfortable shopping environment and pleasurable shopping experience to our customers. We offer wide collection of prepackaged leisure foods and other grocery products, principally from overseas, which can be broadly categorised into (i) confectionery; (ii) packaged bakery products and snacks; (iii) nuts and dried fruits; (iv) grains and other miscellaneous food products; (v) beverages and wine; (vi) personal care products; and (vii) other products, such as baby food and products, health food and supplements and miscellaneous household items, such as cleaning agents, table ware and rain gear.

According to the Frost & Sullivan Report, our Group had the highest retail revenue per store with approximately HK\$15.4 million per store for the year ended 31 March 2018 amongst the top seven leisure food retailers which operated over 20 retail stores in Hong Kong. Besides, we were ranked as the second largest leisure food retailers amongst such top seven leisure food retailers in Hong Kong in terms of our revenue of approximately HK\$1,075.9 million for the year ended 31 March 2018, translating to a market share of approximately 21.6% in the leisure food retail market in Hong Kong as at 31 March 2018. As at the Latest Practicable Date, we sourced our products of around 495 brands and 1,960 SKUs from different overseas suppliers mainly from Europe, the United States, Japan, Korea and South East Asia and importers in Hong Kong, comprising brand owners, manufacturers, distributors, and trading companies.

BASIS OF PRESENTATION

Our Company was incorporated as a limited liability company in the Cayman Islands on 24 January 2018. Our Company is an investment holding company and has not carried out any business since the date of its incorporation. In preparation for the Listing, our Group underwent the Reorganisation, pursuant to which our Company became the holding company of the subsidiaries now comprising our

FINANCIAL INFORMATION

Group on 15 December 2018. Please refer to the section headed “History, Reorganisation and Corporate Structure” in this prospectus for further details of the Reorganisation. Since the Reorganisation is merely a reorganisation of our business with no change in management and ultimate ownership, our Historical Financial Information has been prepared and presented as a continuation of the combined financial statements of the companies now comprising our Group.

We have prepared our Historical Financial Information in accordance with HKFRSs issued by the HKICPA. Our Historical Financial Information is presented in Hong Kong dollar, which is our functional and presentation currency.

Our Group has performed an internal assessment of the early adoption of HKFRS 15 and HKFRS 9 compared with HKAS 18 and HKAS 39. The major impacts to our Group are set out as followings:

HKFRS 15

Revenue recognition: Revenue is recognised when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Our Group sells goods directly to retail customers. Revenue from sales of goods to retail customers is recognised when the product is transferred to the customers upon sale. Payment of the transaction price is due immediately when the customers purchase the good. The payment is usually settled in cash or using credit cards, octopus card and Alipay online platform.

Our Group operates a customer loyalty programme where retail customers accumulate points for purchases made which allows them to redeem award points for discounts in future purchases. The transaction price is allocated to the product and the award points on a relative stand-alone selling price basis. Revenue from the award points is recognised when the award points are redeemed. Contract liabilities are recognised until the award points are redeemed. The award points would reduce the revenue recognised.

Our Group does not expect to have any contracts with a significant financing component where the period between the transfer of the promised good or service to the customer and payment by the customer exceeds one year. As a consequence, our Group does not adjust any of the transaction prices for the effects of the time value of money.

Based on the assessment of our Group, we consider that the impact on our financial position and performance would be insignificant if HKAS 18 instead of HKFRS 15 had been applied.

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HKFRS 9

HKFRS 9 replaces HKAS 39 and introduces new requirements for classification and measurement and impairment. Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (“FVPL”), amortised cost, or fair value through other comprehensive income (“FVOCI”). The classification is based on two criteria: (i) our Group’s business model for managing the assets; and (ii) whether the instrument’s contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (the “SPPI” criterion).

Equity instruments would generally be measured at FVPL unless our Group elects to measure at FVOCI (without recycling, i.e. any gain/loss will be recorded in other comprehensive income and will not be reclassified to profit or loss, while the dividend is recognised through profit or loss) for equity investments that are not held for trading.

The adoption of HKFRS 9 has changed our Group’s accounting treatment for impairment losses for financial assets by replacing HKAS 39’s incurred loss approach with a forward-looking expected credit loss (“ECL”) approach. HKFRS 9 requires our Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

Based on the assessment of our Group, we consider that the impact on our financial position and performance would be insignificant if HKAS 39 instead of HKFRS 9 had been applied.

Details regarding the basis of presentation and preparation of our Historical Financial Information are set out in notes 2 and 4.1 to the Accountants’ Report.

All intra-group transactions, balances, unrealised profits or losses on transactions between group companies are eliminated in full in preparing the Historical Financial Information.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The results of operations and financial condition of our Group have been and will continue to be affected by a number of factors, including those discussed below and under the section headed “Risk Factors” in this prospectus.

Product mix and average spending per transaction

In order to cater to a broad customer base and provide a comprehensive shopping experience, we believe it is necessary to provide a wide range of products covering collection of confectionery, packaged bakery products and snacks, nuts and dried fruits, grains and miscellaneous food products, beverages and wine, personal care products and other products such as baby food and products, health food and supplements and household items. According to the Frost & Sullivan Report, the key factor for a leisure food retailer to attract customers is the wide range of products it offers, as customers tend to return to stores where they are given a variety of choices to satisfy their demand but also to fulfill their desire to try out new leisure food products.

FINANCIAL INFORMATION

Our profitability is dependent in part upon our success in adjusting our product mix to respond to customer preferences and demands, which may change or evolve over time. Accordingly, we adjust the mix of merchandise that we offer in our retail stores to maximise our revenues and profitability while continuing to provide a wide variety of products to our customers. The number of SKUs of our products increased from 1,764 as at 31 March 2016 to 1,955 as at 31 July 2018, from over 16 countries in the world, mainly originated from Europe, the United States, Japan, Korea, and South East Asia.

Our retail operations are significantly affected by changes in the average spending per transaction. The average spending per transaction serves as an indicator of the amounts our customers spend at our stores and may be affected by, among other things, our product mix and pricing, customer spending power, customer preferences and seasonal factor.

The following table sets out the average spending per transaction during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July
	2016	2017	2018	2018
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
Average spending per transaction (<i>Note</i>)	90.9	79.8	79.2	73.2

Note: Average spending per transaction is calculated by dividing the total revenue from all of our retail stores in operation throughout the relevant years/period by the total number of transactions during such years/period.

The average spending per transaction was lower for the year ended 31 March 2017 than that for the year ended 31 March 2016 as we adjusted our product mix and introduced products with lower average selling price and offering of products with smaller packing size during the year ended 31 March 2017 in order to diversify our customer base to cover both tourist and local population in light of the decline in the number of PRC tourist visiting Hong Kong in 2016. The average spending per transaction was relatively stable in the year ended 31 March 2018, as compared to the previous year. The average spending per transaction decreased from approximately HK\$79.2 for the year ended 31 March 2018 to approximately HK\$73.2 for the four months ended 31 July 2018 mainly because our Group generally have a higher average spending per transaction from December to February of each year due to the festive promotion of our products during such period.

Opening and closing of stores

We generate a substantial portion of our revenue from sales at our retail stores. Retail sales are affected by the number of our stores in operation. Accordingly, store openings and closings substantially affect our revenue growth.

FINANCIAL INFORMATION

The following table sets out the details of our retail stores opened and closed during the Track Record Period:

Number of retail stores	For the year ended 31 March			For the four months ended 31 July
	2016	2017	2018	2018
Number at the commencement of the year/period	24	32	52	70
Number of retail stores opened during the year/period	15	25	24	9
Number of retail stores closed during the year/period	<u>7</u>	<u>5</u>	<u>6</u>	<u>6</u>
Total number at the end of the year/period	<u>32</u>	<u>52</u>	<u>70</u>	<u>73</u>

We incur various costs and cash outflows, such as renovation costs and rental deposits prior to opening new stores. In addition, new stores generally require a period of time after opening to achieve target performance income. Among the 73 retail stores we operated as of 31 July 2018, 72 retail stores had achieved breakeven as of that date. On average, our stores generally achieve breakeven in around one month. Among the 73 retail stores we operated as of 31 July 2018, 56 of these stores had achieved investment payback as of that date. On average, the investment payback period was about nine to ten months.

As at the Latest Practicable Date, we planned to expand our retail network by opening 76 additional retail stores in Hong Kong. Please refer to the section headed “Future Plans and Use of Proceeds” to this prospectus for further information.

Same store sales

Our profitability is affected in part by our ability to successfully increase the revenue from our existing stores, primarily by launching new products and conducting various marketing and promotional events such as advertisement through different media and joint promotion campaigns. Same store sales growth rates provide a period-to-period comparison of our store performance because they exclude increases and decreases that are due to the opening and closing of new retail stores. Same store sales growth represents a comparison between the sales of those stores that were opened throughout the years being compared. For example, same stores for the year ended 31 March 2016 and 2017 are stores that were open throughout both the years ended 31 March 2016 and 2017. There are variations in the way in which other retailers calculate these metrics. Accordingly, these metrics may not be fully comparable with those of our competitors.

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The table below sets forth our same store sales for the years and the periods indicated:

	For the year ended		For the year ended		For the four months	
	31 March		31 March		ended 31 July	
	2016	2017	2017	2018	2017	2018
Number of same stores	18		26		46	
Same store sales (<i>HK\$'000</i>)	268,034	271,461	400,656	435,722	203,548	232,852
Same store sales growth	1.3%		8.8%		14.4%	

Our same store sales growth increased from approximately 1.3% for the year ended 31 March 2017 against 2016 to approximately 8.8% for the year ended 31 March 2018 against 2017, the increase was generally in line with the overall growth in sales revenue of the leisure food retailers in Hong Kong during 2016 and 2017 and we have substantially increased our advertising and promotion expenses from approximately HK\$4.8 million for the year ended 31 March 2017 to approximately HK\$7.9 million for the year ended 31 March 2018 to promote our retail stores.

Our same store sales growth was approximately 14.4% for the four months ended 31 July 2018 against 2017. Our same store sales growth was generally in line with the growth of our revenue during the Track Record Period.

Cost of Sales

Our cost of sales comprises cost of inventories sold which represented the costs of products charged by our suppliers which was determined with reference to a number of factors including the prevailing market conditions, the volume of orders and the type of products. As a result, any increase in the cost of inventories sold will have a significant impact on our results of operations. Our ability to effectively price our products and quickly respond to cost pressures could have a material impact on our business, financial condition or results of operations.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Critical accounting policies and estimates refer to those accounting policies and estimates that entail significant uncertainties and judgments, and could yield materially different results under different conditions and/or assumptions. The preparation of our Historical Financial Information in conformity with the HKFRSs requires our management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the Track Record Period. The methods and approaches that we use in determining these items is based on our experience, the nature of our business operations, the relevant rules and regulations and the relevant circumstances. These underlying assumptions and estimates are reviewed regularly as they may have a significant impact on our operational results as reported in our Historical Financial Information included elsewhere in this prospectus. Below is a summary of the significant accounting policies in accordance with HKFRSs that we believe are important to the preparation of our

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Historical Financial Information and those involve the need to make estimates and judgments about the effect of matters that are inherently uncertain. We also have other accounting policies, judgments, estimates and assumptions that we consider as significant, which is set out in detail in notes 4 and 5 to the Accountants' Report.

Revenue recognition

Our Group sells goods directly to retail customers within retail shops. We recognise revenue when the product is transferred to our customers upon sale. Payment of the transaction price is due immediately when the customers purchase the good. The payment is usually settled in cash or using credit cards, octopus card and Alipay online platform. For further details, please refer to note 4.14 to the Accountants' Report.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis as follows:

Leasehold improvements	Over shorter of the lease term or 5 years
Plant and equipment	5 years
Furniture and fixtures	5 years

In determining the useful life and residual value of an item of property, plant and equipment, our Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvement in production, or from changes in the market demand for the products or service output of the asset, expected usage of the asset and expected physical wear. The estimation of the useful life of the asset is based on the experience of our Group with similar assets that are used in similar way.

For further details, please refer to notes 4.3 and 5 to the Accountants' Report.

Financial instruments

We recognise financial assets and financial liabilities when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. For further details, please refer to note 4.6 to the Accountants' Report.

Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. For further details, please refer to note 4.4 to the Accountants' Report.

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Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. We make allowance for slow-moving inventories based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgments and estimates, which are determined by our management with reference to various factors. When the actual outcome in future is different from the original estimate, such difference will impact the carrying amount value of inventories and allowance charge/write-back in the period in which such estimate has been changed. For further details, please refer to notes 4.5 and 5 to the Accountants' Report.

Foreign currencies

Our Historical Financial Information is presented in Hong Kong dollars, which is our functional and presentation currency. During the Track Record Period, certain of our transactions, assets and liabilities were denominated in foreign currencies. Foreign exchange gains and losses resulting from the settlement of such transactions which were recorded at transaction date. For further details, please refer to note 4.11 to the Accountants' Report.

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SUMMARY OF RESULTS OF OPERATIONS

The following table sets out the summary of our Group's combined results for the Track Record Period, which are derived from, and should be read in conjunction with the Historical Financial Information contained in the Accountants' Report set out in Appendix I to this prospectus:

	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Revenue	472,831	689,994	1,075,930	256,496	338,459
Cost of sales	<u>(334,444)</u>	<u>(473,741)</u>	<u>(733,641)</u>	<u>(171,367)</u>	<u>(225,208)</u>
Gross profit	138,387	216,253	342,289	85,129	113,251
Other income and other gains/ (losses), net	(170)	377	(179)	56	(139)
Selling and distribution expenses	(108,626)	(165,535)	(238,352)	(68,706)	(85,969)
Administrative and other expenses	<u>(12,769)</u>	<u>(18,023)</u>	<u>(34,962)</u>	<u>(8,329)</u>	<u>(18,050)</u>
Operating profit	16,822	33,072	68,796	8,150	9,093
Finance costs	<u>(1,591)</u>	<u>(2,641)</u>	<u>(3,244)</u>	<u>(946)</u>	<u>(893)</u>
Profit before income tax	15,231	30,431	65,552	7,204	8,200
Income tax expense	<u>(2,781)</u>	<u>(5,287)</u>	<u>(11,953)</u>	<u>(1,304)</u>	<u>(2,538)</u>
Profit and total comprehensive income for the year/period	<u>12,450</u>	<u>25,144</u>	<u>53,599</u>	<u>5,900</u>	<u>5,662</u>

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DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our revenue mainly represents the sale of goods through our retail stores. For the years ended 31 March 2016, 2017, 2018 and the four months ended 31 July 2018, we recorded revenue of approximately HK\$472.8 million, HK\$690.0 million, HK\$1,075.9 million and HK\$338.5 million, respectively, and all of which were generated in Hong Kong.

Our revenue increased by approximately 45.9% from approximately HK\$472.8 million for the year ended 31 March 2016 to approximately HK\$690.0 million for the year ended 31 March 2017, and further increased by approximately 55.9% to approximately HK\$1,075.9 million for the year ended 31 March 2018 and by approximately 32.0% from approximately HK\$256.5 million for the four months ended 31 July 2017 to approximately HK\$338.5 million for the four months ended 31 July 2018. Such increase in revenue was mainly due to (i) the increase in sales of goods as we continue to expand our retail network by opening additional retail stores from 32 stores as at 31 March 2016 to 73 stores as at 31 July 2018; and (ii) the increase in same-store sales of approximately 1.3% and 8.8% for the year ended 31 March 2017 and 2018, respectively, as compared to the previous year and approximately 14.4% for the four months ended 31 July 2018 as compared to the corresponding period in previous year as a result of our continual effort to promote our retail stores, principally by way of (1) increasing marketing and promotional activities, such as sponsorship of television drama and placing local television commercials so as to enhance the brand awareness and the market visibility of our Group; (2) broadening the variety and number of our product offerings so as to capture and cater for changing consumer preferences and to ensure the popularity and marketability of our products; (3) improving our procurement capabilities in sourcing and offering relatively distinctive products and/or products at competitive retail prices which are attractive to our customers; and/or (4) enhancing our stock replenishment system so as to fulfil our customers' demands on a more timely and effective manner. These measures taken for stimulating the sales of our products, together with our increase in number of retail stores, enable us to capture the increasing demand for leisure food products in Hong Kong and to remain competitive among other major market players. Please refer to the paragraph headed "Major factors affecting our results of operations and financial condition – Same store sales" in this section for further discussion on our same store sales.

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During the Track Record Period, the products sold by us can mainly be categorised into seven categories, namely (i) confectioneries; (ii) packaged bakery products and snacks; (iii) nuts and dried fruits; (iv) grains and other miscellaneous food products; (v) beverages and wine; (vi) personal care products; and (vii) other products, such as baby food and products, health food and supplements and miscellaneous household items, such as cleaning agents, table ware and rain gear. The table below sets forth our revenue breakdown by categories of our products sold for the years and periods indicated:

Product segments	Year ended 31 March						Four months ended 31 July			
	2016		2017		2018		2017		2018	
	Revenue HK\$'000	%	Revenue HK\$'000	%	Revenue HK\$'000	%	Revenue HK\$'000	%	Revenue HK\$'000	%
Confectioneries	169,918	35.9	242,127	35.1	358,337	33.3	70,703	27.6	81,520	24.1
Packaged bakery products and snacks	66,054	14.0	127,994	18.5	237,033	22.0	57,706	22.5	94,541	27.9
Nuts and dried fruits	106,805	22.6	138,903	20.1	195,111	18.1	49,117	19.1	62,730	18.5
Beverages and wine	33,605	7.1	54,469	7.9	106,127	9.9	29,123	11.4	37,720	11.1
Grains and miscellaneous food products	38,202	8.1	65,457	9.5	102,917	9.6	28,506	11.1	35,096	10.4
Personal care products	34,378	7.3	30,716	4.5	31,349	2.9	7,952	3.1	10,104	3.0
Others (Note)	23,869	5.0	30,328	4.4	45,056	4.2	13,389	5.2	16,748	5.0
Total	472,831	100.0	689,994	100.0	1,075,930	100.0	256,496	100.0	338,459	100.0

Note:

Others include baby food and products, health food and supplements and household items such as cleaning agents, table ware and rain gear.

Our Group derived the majority of our revenue from confectionary products, which accounted for approximately 35.9%, 35.1% and 33.3% of our revenue during the years ended 31 March 2016, 2017 and 2018, respectively. For the four months ended 31 July 2018, our Group derived the majority of our revenue from packaged and bakery products and snacks, which accounted for approximately 27.9% of our revenue during the period.

Cost of sales

During the Track Record Period, our cost of sales represents the cost of inventories sold. Our cost of sales is affected by a number of factors including the prevailing market conditions, the volume of orders and the type of products.

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During the year ended 31 March 2016, 2017, 2018 and the four months ended 31 July 2018, we recorded cost of sales of approximately HK\$334.4 million, HK\$473.7 million, HK\$733.6 million and HK\$225.2 million, respectively, representing approximately 70.7%, 68.7%, 68.2% and 66.5% of our revenue over the same period, respectively. The increase in cost of sales was in line with the increase in our revenue which was due to the expansion of our retail network during the Track Record Period.

Gross Profit and gross profit margin

The price of products that we offer to our customers depends primarily on, among other things, procurement costs, the expected profit margins, market trend and demand and retail price for similar products to ensure our price is competitive in the market. We have implemented various measures with aim to improve our profit margin, please refer to the paragraph headed “Business – Our Competitive Strengths” for further details. For each of the three years ended 31 March 2016, 2017, 2018 and the four months ended 31 July 2018, we recorded total gross profit of approximately HK\$138.4 million, HK\$216.3 million, HK\$342.3 million and HK\$113.3 million, and overall gross profit margin of approximately 29.3%, 31.3%, 31.8% and 33.5%, respectively.

The table below sets forth the breakdown of our gross profit and gross profit margin by product types for the years and periods indicated:

	Year ended 31 March						Four months ended 31 July			
	2016		2017		2018		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Confectioneries	48,928	28.8	71,913	29.7	98,880	27.6	20,929	29.6	24,522	30.1
Packaged bakery products and snacks	21,737	32.9	43,435	33.9	87,312	36.8	21,508	37.3	35,283	37.3
Nuts and dried fruits	28,609	26.8	42,621	30.7	59,727	30.6	15,609	31.8	19,876	31.7
Beverages and wine	10,657	31.7	19,253	35.3	37,971	35.8	10,522	36.1	13,661	36.2
Grains and miscellaneous food products	11,858	31.0	19,477	29.8	31,390	30.5	8,880	31.2	10,598	30.2
Personal care products	8,712	25.3	8,857	28.8	10,999	35.1	2,641	33.2	3,437	34.0
Others (Note)	7,886	33.0	10,697	35.3	16,010	35.5	5,040	37.6	5,874	35.1
Total/overall	138,387	29.3	216,253	31.3	342,289	31.8	85,129	33.2	113,251	33.5

Note:

Others include baby food and products, health food and supplements and household items such as cleaning agents, table ware and rain gear.

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We recorded an overall increase in our gross profit and gross profit margin during the Track Record Period.

Our overall gross profit margin increased from approximately 29.3% for the year ended 31 March 2016 to approximately 31.3% for the year ended 31 March 2017, and further increased slightly to approximately 31.8% for the year ended 31 March 2018. Such increase in overall gross profit margin was due to the increase in gross profit margin for most of our product types, which was mainly resulted from (i) our continual effort in sourcing our products directly from more upstream suppliers and (ii) the discount from suppliers as a result of bulk purchase which was benefited from better economy of scale with our continuous expansion of retail network and hence the scale of purchases.

Our gross profit margin for the four months ended 31 July 2017 and 2018 were approximately 33.2% and 33.5%, respectively, which remained relatively stable.

Other income and other gains/(losses), net

The table below sets forth a breakdown of our other income and other gains/(losses), net during the Track Record Period:

	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from bank deposits	1	3	40	9	12
(Losses)/gains on written-off/disposals of property, plant and equipment, net	(373)	3	(425)	(68)	(151)
Compensation from early termination of a lease agreement	202	–	–	–	–
Promotion income	–	371	203	113	–
Others	–	–	3	2	–
Total	<u>(170)</u>	<u>377</u>	<u>(179)</u>	<u>56</u>	<u>(139)</u>

Our other income and other gains/(losses), net mainly consist of (i) gains or loss on written-off/disposals of property, plant and equipment; (ii) promotion income; and (iii) compensation from early termination of a lease agreement.

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The losses or gains on written-off or disposals of property, plant and equipment mainly represent the losses or gains when we dispose the equipments used in our office and retail stores. Our promotion income of approximately HK\$0.4 million and HK\$0.2 million during each of the year ended 31 March 2017 and 31 March 2018 mainly represents the amount paid by our suppliers to promote their products in our retail stores. The compensation from early termination of a lease agreement represents the amount paid by the landlord of the warehouse we previously used during the year ended 31 March 2016.

Selling and distribution expenses

Set out below is the breakdown of our selling and distribution expenses during the years and the periods indicated:

	Year ended 31 March			Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000
				<i>(unaudited)</i>	
Rental expenses for retail stores	55,718	81,271	112,472	33,534	38,556
Salaries and wages for staff of the retail stores and the warehouse	28,406	44,703	67,050	18,692	26,227
Service expenses for using the operating facilities of warehouse	4,092	8,836	11,060	3,260	3,900
Local transportation fee	5,600	6,545	11,240	2,667	4,428
Depreciation	3,084	5,650	8,325	2,722	3,095
Advertising and promotion expenses	2,186	4,831	7,924	1,885	2,272
Bank and octopus card charges	2,423	3,605	5,997	1,331	2,012
Written-off of inventories	3,091	4,477	5,264	1,754	1,481
Utilities and maintenance	1,955	2,655	4,207	1,376	1,814
Others	2,071	2,962	4,813	1,485	2,184
Total	<u>108,626</u>	<u>165,535</u>	<u>238,352</u>	<u>68,706</u>	<u>85,969</u>

During the Track Record Period, our selling and distribution expenses mainly consist of (i) rental expenses for retail stores; (ii) salaries and wages for staff of the retail stores and the warehouse; (iii) service expenses for using the operating facilities of warehouses which mainly includes the services expenses of our warehouses; and (iv) local transportation fee mainly consist of transportation fee from our warehouses to our retail stores and storage fee of our external warehouses. The above items in aggregate accounted for approximately 86.4%, 85.4%, 84.7% and 85.0% of our total selling and distribution expenses for the year ended 31 March 2016, 2017, 2018 and the four months ended 31 July 2018, respectively.

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Our selling and distribution expenses increased by approximately HK\$56.9 million from approximately HK\$108.6 million for the year ended 31 March 2016 to approximately HK\$165.5 million for the year ended 31 March 2017, and further increased by approximately HK\$72.8 million to approximately HK\$238.4 million for the year ended 31 March 2018, our selling and distribution expenses increased by approximately HK\$17.3 million, or 25.1%, from approximately HK\$68.7 million for the four months ended 31 July 2017 to approximately HK\$86.0 million for the four months ended 31 July 2018, which was generally in line with the increase of our revenue during the Track Record Period.

The increase of our selling and distribution expenses was mainly due to (i) the increase in rental expenses for retail stores mainly for additional retail stores during the Track Record Period; (ii) the increase in salaries and wages for staff of the retail stores and the warehouse as a result of hiring more staffs for retail stores and warehouse due to the increase of our retail stores and corresponding inventories which requires more manpower; (iii) the increase in service expenses for using the operating facilities of warehouse due to the increased warehouse storage used by us for our increased inventories; and (iv) the increase in local transportation fee due to the increase of logistics services used by us as a result of the expansion of our retail network during the Track Record Period.

Administrative and other expenses

The table below set out the breakdown of our administrative expenses during the years and the periods indicated:

	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Salaries and wages for office staff	8,214	11,841	20,926	5,519	7,702
Listing expenses	–	–	4,636	488	6,170
Office expenses	1,304	1,833	2,152	746	910
Rental expenses	1,043	1,973	1,817	601	1,288
Exchange differences, net	5	164	1,511	266	1,005
Depreciation	1,042	1,033	1,418	374	390
Bank charges	373	392	408	151	146
Others	788	787	2,094	184	439
Total	12,769	18,023	34,962	8,329	18,050

Our administrative and other expenses increased by approximately HK\$5.3 million from approximately HK\$12.8 million for the year ended 31 March 2016 to approximately HK\$18.0 million for the year ended 31 March 2017, and further increased by approximately HK\$16.9 million to approximately HK\$35.0 million for the year ended 31 March 2018. Our administrative expenses also increased by approximately HK\$9.7 million, or 116.7%, from approximately HK\$8.3 million for the four months

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ended 31 July 2017 to approximately HK\$18.1 million for the four months ended 31 July 2018. The overall increase of administrative expenses during the Track Record Period was mainly due to (i) the increase in salaries and wages for office staff; (ii) recognition of Listing expenses of approximately HK\$4.6 million and HK\$6.2 million for the year ended 31 March 2018 and the four months ended 31 July 2018.

Salaries and wages for office staff were the largest expenses item under the administrative expenses. For each of the years ended 31 March 2016, 2017, 2018 and the four months ended 31 July 2018, salaries and wages for office staff amounted to approximately HK\$8.2 million, HK\$11.8 million, HK\$20.9 million and HK\$7.7 million, representing approximately 64.3%, 65.7%, 59.9% and 42.7% of the total administrative expenses for the relevant year and period, respectively. The increase in our salaries and wages was mainly due to the expansion of our management team.

The other major expenses item included our rental expenses for offices, which amounted to approximately HK\$1.0 million, HK\$2.0 million, HK\$1.8 million and HK\$1.3 million for each of the years ended 31 March 2016, 2017, 2018 and the four months ended 31 July 2018 respectively. Our rental expenses increased from approximately HK\$1.0 million for the year ended 31 March 2016 to approximately HK\$2.0 million for the year ended 31 March 2017 but subsequently decreased to approximately HK\$1.8 million for the year ended 31 March 2018. Such fluctuation was mainly attributable to the additional rental expenses paid for our office in Watson Centre, Kwai Chung for April and May 2016 before the relocation of our office to SML Tower, Kwun Tong. Our rental expenses increased significantly from approximately HK\$0.6 million for the four months ended 31 July 2017 to approximately HK\$1.3 million for the four months ended 31 July 2018 as we have leased an additional office premises in SML Tower, Kwun Tong commenced from May 2018.

During the year ended 31 March 2018 and the four months ended 31 July 2018, we recorded Listing expenses of approximately HK\$4.6 million and HK\$6.2 million, which accounted for approximately 13.3% and 34.2% of our administrative expenses during such year and period.

Finance costs

Our finance costs amounted to approximately HK\$1.6 million and HK\$2.6 million, HK\$3.2 million and HK\$0.9 million for the years ended 31 March 2016, 2017, 2018 and the four months ended 31 July 2018 mainly represent interest expense on bank loans and overdrafts. The increase in our finance costs was mainly due to the increase in utilising our bank borrowings during the three years ended 31 March 2018 to finance our business operation. Our finance costs remained relatively stable for the four months ended 31 July 2017 and 2018.

Income tax expense

Our income tax expense comprises Hong Kong profits tax. The provision for Hong Kong profits tax was calculated at 16.5% of the relevant estimated assessable profits during the three years ended 31 March 2018. For the four months ended 31 July 2018, the Hong Kong profits tax was calculated at 8.25% on the first HK\$2.0 million of estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2.0 million. Our Group was not subject to any income tax in the Cayman Islands during the Track Record Period.

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Our income tax expenses was approximately HK\$2.8 million, HK\$5.3 million, HK\$12.0 million and HK\$2.5 million for the years ended 31 March 2016, 2017, 2018 and the four months ended 31 July 2018, respectively where the effective tax rate was approximately 18.3%, 17.4%, 18.2% and 31.0%, respectively. Excluding the impact of recognition of Listing expenses, which is not tax deductible, our effective tax rate for the four months ended 31 July 2018 would be approximately 17.7%, which is in line with our effective tax rate for the three years ended 31 March 2018.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had no material dispute or unresolved tax issues with the Inland Revenue Department.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATION

Four months ended 31 July 2017 compared with four months ended 31 July 2018

Revenue

Our revenue increased by approximately HK\$82.0 million, or 32.0% from approximately HK\$256.5 million for the four months ended 31 July 2017 to approximately HK\$338.5 million for the four months ended 31 July 2018. This increase was primarily attributable to our same store sales growth of approximately 14.4% and the increase in the number of retail stores from 64 for the four months ended 31 July 2017 to 73 for the four months ended 31 July 2018 and the improvement in our procurement capabilities in sourcing distinctive products and/or products with competitive prices that are attractive to our customers.

Cost of sales

Our cost of sales increased by approximately HK\$53.8 million, or 31.4%, from approximately HK\$171.4 million for the four months ended 31 July 2017 to approximately HK\$225.2 million for the four months ended 31 July 2018. This increase was primarily attributable to increase in sales as a result of the increase in the number of retail stores.

Gross profit and gross profit margin

As a combined effect of the above factors, our gross profit increased by approximately HK\$28.2 million, or 33.0%, from approximately HK\$85.1 million for the four months ended 31 July 2017 to approximately HK\$113.3 million for the four months ended 31 July 2018. Our gross profit margin slightly increased from approximately 33.2% to 33.5%, which was mainly due to (i) our continual effort in sourcing our products directly from more upstream suppliers and (ii) the discount from suppliers as a result of bulk purchase which was benefited from better economy of scale with our continuous expansion of retail network and hence the scale of purchases.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately HK\$17.3 million, or 25.1%, from approximately HK\$68.7 million for the four months ended 31 July 2017 to approximately HK\$86.0 million for the four months ended 31 July 2018. This increase was mainly due to (i) the increase in

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salaries and wages for staff of the retail stores and the warehouse of approximately HK\$7.5 million as a result of hiring more staff for retail stores and warehouse due to the increase of our retail stores and (ii) the increase in rental expenses of approximately HK\$5.0 million for the opening of additional retail stores and (iii) the increase in service expenses for using the operating facilities of warehouse of approximately HK\$0.6 million due to the increased warehouse storage used by us for our increased inventories.

Administrative and other expenses

Our administrative and other expenses increased by approximately HK\$9.8 million, or 116.7%, from approximately HK\$8.3 million for the four months ended 31 July 2017 to approximately HK\$18.1 million for the four months ended 31 July 2018. This increase was mainly due to the increase in Listing expenses and salary and wages for office staff for the four months ended 31 July 2018 as compare to that for the four months ended 31 July 2017.

Income tax expense

Our income tax expense significantly increased by approximately HK\$1.2 million, or 94.6% from approximately HK\$1.3 million for the four months ended 31 July 2017 to approximately HK\$2.5 million for the four months ended 31 July 2018, primarily attributable to the increase in taxable income which was mainly a combined result of the growth in gross profit and non-tax deductible Listing expenses for the four months ended 31 July 2018 when compare to that for the four months ended 31 July 2017.

Finance costs

Our finance costs remained relatively stable at approximately HK\$0.9 million for the four months ended 31 July 2017 and 31 July 2018.

Profit for the period

Profit for the period decreased by approximately HK\$0.2 million, or 4.0% from approximately HK\$5.9 million for the four months ended 31 July 2017 to approximately HK\$5.7 million for the four months ended 31 July 2018. Such decrease was mainly attributable to the Listing expenses of approximately HK\$6.2 million incurred during the four months ended 31 July 2018.

Year ended 31 March 2017 compared with year ended 31 March 2018

Revenue

Our revenue increased by approximately HK\$385.9 million, or 55.9% from approximately HK\$690.0 million for the year ended 31 March 2017 to approximately HK\$1,075.9 million for the year ended 31 March 2018. This increase was primarily attributable to our same store sale growth of 8.8%, the increase in the number of retail stores from 52 to 70 during the year ended 31 March 2018, the increase in our advertisement and promotion expenses of approximately HK\$3.1 million for the year ended 31 March 2018 as compared with that of the year ended 31 March 2017 and the improvement in our procurement capabilities in sourcing distinctive products and/or products with competitive prices that are attractive to our customers.

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Cost of sales

Our cost of sales increased by approximately HK\$259.9 million, or 54.9%, from approximately HK\$473.7 million in the year ended 31 March 2017 to approximately HK\$733.6 million for the year ended 31 March 2018. This increase was in line with the increase in sales as a result of the increase in the number of retail stores.

Gross profit and gross profit margin

As a combined effect of the above factors, our gross profit increased by approximately HK\$126.0 million, or 58.3%, from approximately HK\$216.3 million for the year ended 31 March 2017 to approximately HK\$342.3 million for the year ended 31 March 2018. Our gross profit margin slightly increased from approximately 31.3% to 31.8%, which was mainly due to (i) our continual effort in sourcing our products directly from more upstream suppliers and (ii) the discount from suppliers as a result of bulk purchase which was benefited from better economy of scale with our continuous expansion of retail network and hence the scale of purchases.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately HK\$72.9 million, or 44.0%, from approximately HK\$165.5 million for the year ended 31 March 2017 to approximately HK\$238.4 million for the year ended 31 March 2018. This increase was mainly due to (i) the increase in salaries and wages for staff of the retail stores and the warehouse of approximately HK\$22.3 million as a result of hiring more staff for retail stores and warehouse due to the increase in the number of our retail stores and (ii) the increase in rental expenses of approximately HK\$31.2 million for the opening of 18 additional retail stores during the year ended 31 March 2018 and (iii) the increase in local transportation fee of approximately HK\$4.7 million as a result of the expansion of our retail network.

Administrative and other expenses

Our administrative and other expenses increased by approximately HK\$16.9 million, or 94.0%, from approximately HK\$18.0 million for the year ended 31 March 2017 to approximately HK\$35.0 million for the year ended 31 March 2018. This increase was mainly due to the increase in salaries and wages for employing more management staff for the business expansion of our Group.

Income tax expense

Our income tax expense significantly increased by approximately HK\$6.7 million, or 126.1% from approximately HK\$5.3 million for the year ended 31 March 2017 to approximately HK\$12.0 million for the year ended 31 March 2018, primarily attributable to a substantial increase in our assessable profit.

Finance costs

Our finance costs increased by approximately HK\$0.6 million, or 22.8% from approximately HK\$2.6 million for the year ended 31 March 2017 to approximately HK\$3.2 million for the year ended 31 March 2018. This increase was primarily attributable to an increase in interest expense as a result of the increase in utilising our bank borrowings to finance our business operation.

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Profit for the year

As a result of the foregoing, profit for the year increased by HK\$28.5 million, or 113.2% from approximately HK\$25.1 million for the year ended 31 March 2017 to approximately HK\$53.6 million for the year ended 31 March 2018.

Year ended 31 March 2016 compared with year ended 31 March 2017

Revenue

Our revenue increased by approximately HK\$217.2 million, or 45.9% from approximately HK\$472.8 million for the year ended 31 March 2016 to approximately HK\$690.0 million for the year ended 31 March 2017. This increase was primarily attributable to our same store sales growth of 1.3%, the increase in the number of retail stores from 32 to 52 during the year ended 31 March 2017, the increase in our advertisement and promotion expenses of approximately HK\$2.6 million for the year ended 31 March 2017 as compared with that of the year ended 31 March 2016, the increase in the number of SKUs from 1,764 as at 31 March 2016 to 2,011 as at 31 March 2017 and the improvement in our procurement capabilities in sourcing distinctive products and/or products with competitive prices that are attractive to our customers.

Cost of sales

Our cost of sales increased by approximately HK\$139.3 million, or 41.7%, from approximately HK\$334.4 million in the year ended 31 March 2016 to approximately HK\$473.7 million for the year ended 31 March 2017. This increase was in line with the increase in sales as a result of the increase in the number of retail stores.

Gross profit and gross profit margin

As a combined effect of the above factors, our gross profit increased by approximately HK\$77.9 million, or 56.3%, from approximately HK\$138.4 million for the year ended 31 March 2016 to approximately HK\$216.3 million for the year ended 31 March 2017. Our gross profit margin slightly increased from approximately 29.3% to 31.3%, which was mainly due to (i) our continual effort in sourcing our products directly from more upstream suppliers and (ii) the discount from suppliers as a result of bulk purchase which was benefited from better economy of scale with our continuous expansion of retail network and hence the scale of purchases.

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Selling and distribution expenses

Our selling and distribution expenses increased by approximately HK\$56.9 million, or 52.4%, from approximately HK\$108.6 million for the year ended 31 March 2016 to approximately HK\$165.5 million for the year ended 31 March 2017. This increase was mainly due to (i) the increase in salaries and wages for staff of the retail stores and the warehouse of approximately HK\$16.3 million as a result of hiring more staff for retail stores and warehouse due to the increase of our retail stores and (ii) the increase in rental expenses of approximately HK\$25.6 million for the opening of 20 additional retail stores during the year ended 31 March 2017 and (iii) the increase in service expenses for using the operating facilities of warehouse of approximately HK\$4.7 million due to the increased warehouse storage used by us for our increased inventories.

Administrative and other expenses

Our administrative and other expenses increased by approximately HK\$5.3 million, or 41.1%, from approximately HK\$12.8 million for the year ended 31 March 2016 to approximately HK\$18.0 million for the year ended 31 March 2017. This increase was mainly due to the increase in salaries and wages for employing more management staff for the business expansion of our Group.

Income tax expense

Our income tax expense significantly increased by approximately HK\$2.5 million, or 90.1% from approximately HK\$2.8 million for the year ended 31 March 2016 to approximately HK\$5.3 million for the year ended 31 March 2017, primarily attributable to a substantial increase in our assessable profit.

Finance costs

Our finance costs increased by approximately HK\$1.0 million, or 66.0% from approximately HK\$1.6 million for the year ended 31 March 2016 to approximately HK\$2.6 million for the year ended 31 March 2017. This increase was primarily attributable to an increase in interest expense as a result of the increase in bank borrowings.

NET CURRENT ASSETS

As at 31 March 2016, 2017, 2018 and 31 July 2018, we had net current assets of approximately HK\$2.6 million, HK\$18.3 million, HK\$70.9 million and HK\$100.4 million, respectively. Our current assets as at 31 March 2016, 2017, 2018 and 31 July 2018 amounted to approximately HK\$88.2 million, HK\$142.8 million, HK\$175.5 million and HK\$196.2 million, respectively, with inventories, trade receivables, deposits, prepayments and other receivables and cash and bank balances being the major components. Our current liabilities as at 31 March 2016, 2017, 2018 and 31 July 2018 amounted to approximately HK\$85.6 million, HK\$124.5 million, HK\$104.7 million and HK\$95.7 million, respectively, with trade payables, accruals, receipts in advance and other payables and bank overdrafts and borrowings being the major components.

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Details of the components of our current assets and current liabilities are set out as follows:

	As at 31 March			As at 31 July 2018	As at 31 October 2018
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Current assets					
Inventories	63,775	92,634	100,162	123,755	144,654
Trade receivables	612	1,248	4,241	1,825	2,123
Deposits, prepayments and other receivables	15,012	24,629	33,302	33,502	72,384
Cash and bank balances	8,841	24,243	37,809	37,080	26,476
Total current assets	<u>88,240</u>	<u>142,754</u>	<u>175,514</u>	<u>196,162</u>	<u>245,637</u>
Current liabilities					
Trade payables	9,350	12,199	18,246	17,523	33,160
Accruals, receipts in advance and other payables	10,316	11,695	25,666	20,714	22,979
Bank overdrafts and borrowings	44,088	87,855	52,363	47,901	66,427
Amounts due to shareholders	18,751	4,556	–	–	–
Income tax payable	3,132	8,153	8,380	9,586	13,406
Total current liabilities	<u>85,637</u>	<u>124,458</u>	<u>104,655</u>	<u>95,724</u>	<u>135,972</u>
Net current assets	<u>2,603</u>	<u>18,296</u>	<u>70,859</u>	<u>100,438</u>	<u>109,665</u>

Our net current assets increased from approximately HK\$2.6 million as at 31 March 2016 to approximately HK\$18.3 million as at 31 March 2017, approximately HK\$70.9 million as at 31 March 2018, approximately HK\$100.4 million as at 31 July 2018 and further increased to approximately HK\$109.7 million as at 31 October 2018. Such increase in our net current assets were mainly attributable to the increase of our inventories, trade receivables, deposits, prepayments and other receivables and cash and bank balances with the cash generated from the sale of products and bank borrowings.

For details regarding the major items affecting our net current assets during the Track Record Period, please see the paragraph headed “Description and Analysis of Principal Items in the Combined Statements of Financial Position” in this section.

FINANCIAL INFORMATION

DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

Inventories

During the Track Record Period, our inventories mainly comprise prepackaged leisure foods and other grocery products, which can be broadly categorised into (i) confectioneries; (ii) packaged bakery products and snacks; (iii) nuts and dried fruits; (iv) grains and other miscellaneous food products; (v) beverages and wine; (vi) personal care products; and (vii) other products, such as baby food and products, health food and supplements and miscellaneous household items, such as cleaning agents, table ware and rain gear.

We monitor our products flow and our inventory level on a weekly basis with data generated from our POS system in order to minimise waste of inventories. The following table sets forth the turnover days of our inventories during the Track Record Period:

	For the year ended 31 March			For the four months ended
	2016	2017	2018	31 July 2018
	(days)	(days)	(days)	(days)
Inventory turnover days (<i>Note</i>)	57.6	60.3	48.0	60.7

Note: Inventory turnover days for the year/period is derived by dividing the average of the opening and closing balances of inventories for the relevant year/period by cost of inventories sold for the year/period and multiplying by 365/122 days.

As at 31 March 2016, 2017, 2018 and 31 July 2018, our inventories amounted to approximately HK\$63.8 million, HK\$92.6 million, HK\$100.2 million and HK\$123.8 million, respectively. The increase in inventories by approximately 45.3% from approximately HK\$63.8 million as at 31 March 2016 to approximately HK\$92.6 million as at 31 March 2017 was mainly attributable to the increase in our purchase of a greater variety of products, which was in line with the increase in the number of SKUs from 1,764 as at 31 March 2016 to 2,011 as at 31 March 2017. The increase in inventories by approximately 8.1% from approximately HK\$92.6 million as at 31 March 2017 to approximately HK\$100.2 million as at 31 March 2018 and further increased by approximately 23.6% to approximately HK\$123.8 million as at 31 July 2018 was mainly attributable to the increase in our purchase of inventories in preparation for the opening of additional retail stores.

Our inventory turnover days remained relatively stable at approximately 57.6 days and 60.3 days for the year ended 31 March 2016 and 2017, respectively, and decreased to approximately 48.0 days for the year ended 31 March 2018. Such decrease was primarily attributable to our improved internal management on inventory control during the year ended 31 March 2018. Our inventory turnover days increase from approximately 48.0 days for the year ended 31 March 2018 to approximately 60.7 days for the four months ended 31 July 2018, which was mainly due to (i) seasonality effect as we generally have higher amount of sales derived from the festive seasons between December to February of each year; (ii) the increase in purchase of inventories in preparation for opening additional retail stores during the period between 1 August 2018 to the Latest Practicable Date; and (iii) the increase of inventories in preparation for the promotional sales for the fifth anniversary of our Group in early September 2018.

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As at the Latest Practicable Date, approximately HK\$117.1 million, representing approximately 94.6% of our inventories as at 31 July 2018 had been subsequently sold.

Trade receivables

Trade receivables mainly represent the outstanding amounts receivable by us from the electronic payment processors for Octopus Card Limited and credit card companies. The settlement terms with credit card companies, octopus card sales are usually within two business days after the date on which the sales are made. No credit term has been granted to any customer of our retail stores.

The ageing analysis of trade receivables based on the invoice date as at the dates indicated is as follows:

	As at 31 March		As at 31 July	
	2016	2017	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	584	1,239	4,177	1,807
31 to 60 days	7	5	30	11
61 to 90 days	20	2	12	–
Over 90 days	1	2	22	7
	<u>1</u>	<u>2</u>	<u>22</u>	<u>7</u>
Total	612	1,248	4,241	1,825
	<u><u>612</u></u>	<u><u>1,248</u></u>	<u><u>4,241</u></u>	<u><u>1,825</u></u>

The ageing analysis of these trade receivables based on due date as at the dates indicated is as follows:

	As at 31 March		As at 31 July	
	2016	2017	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	583	1,234	4,147	1,799
Not more than 3 months past due	28	12	73	19
More than 3 months past due	1	2	21	7
	<u>1</u>	<u>2</u>	<u>21</u>	<u>7</u>
Total overdue but not impaired	29	14	94	26
	<u><u>29</u></u>	<u><u>14</u></u>	<u><u>94</u></u>	<u><u>26</u></u>

FINANCIAL INFORMATION

Our trade receivables increased from approximately HK\$0.6 million as at 31 March 2016 to approximately HK\$1.2 million as at 31 March 2017, and to approximately HK\$4.2 million as at 31 March 2018 and decreased to approximately HK\$1.8 million as at 31 July 2018 which was mainly due to (i) the increase in our revenue as a result of the expansion of our retail network during the Track Record Period; and (ii) 30 March 2018 and 31 March 2018 were public holidays in Hong Kong and the trade receivables from the electronic payment processors right before and during such days could only be settled after the public holidays, while 31 March 2016 (Thursday), 31 March 2017 (Friday) and 31 July 2018 (Tuesday) were business days and the transaction made right before and at that date could be settled sooner.

As at the Latest Practicable Date, approximately HK\$1.8 million, representing approximately 99.8% of our Group's trade receivables as at 31 July 2018 have been subsequently settled. Based on our past experience, our Directors believe that no impairment allowance is necessary in respect of our trade receivables as there is no significant change in their credit quality and balances are considered fully recoverable. No material default of settlement was experienced by our Group during the Track Record Period.

The following table sets out the trade receivables turnover days during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July
	2016	2017	2018	2018
	<i>(days)</i>	<i>(days)</i>	<i>(days)</i>	<i>(days)</i>
Trade receivables turnover days <i>(Note)</i>	0.3	0.5	0.9	1.1

Our trade receivable turnover days remained relatively stable at approximately 0.3 days, 0.5 days, 0.9 days and 1.1 days for the year ended 31 March 2016, 2017, 2018 and the four months ended 31 July 2018, respectively.

Note: Trade receivables turnover days for the year/period is derived by dividing the average of the opening and closing balances of trade receivables for the relevant year/period by the total revenue for the year/period and multiplying by 365/122 days.

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Deposits, prepayments and other receivables

As at 31 March 2016, 2017, 2018 and 31 July 2018, our Group had deposits, prepayments, and other receivables of approximately HK\$28.7 million, HK\$44.9 million, HK\$54.8 million and HK\$54.2 million, respectively, which comprised of (i) rental and other deposits; (ii) prepayments mainly paid to suppliers for purchase of goods; (iii) deposits paid for purchase of property, plant and equipment; and (iv) other receivables such as insurance claims and coupon receivables. The following table sets forth a breakdown of our deposits, prepayments and other receivables as at the dates indicated:

	As at 31 March		As at 31 July	
	2016	2017	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current				
Deposits	13,114	20,088	21,067	20,242
Deposits paid for purchase of property, plant and equipment	565	142	387	423
Sub-total	<u>13,679</u>	<u>20,230</u>	<u>21,454</u>	<u>20,665</u>
Current				
Deposits	5,912	6,101	13,188	15,068
Prepayments	8,495	17,932	17,412	16,957
Other receivables	605	596	2,702	1,477
Sub-total	<u>15,012</u>	<u>24,629</u>	<u>33,302</u>	<u>33,502</u>
Total	<u><u>28,691</u></u>	<u><u>44,859</u></u>	<u><u>54,756</u></u>	<u><u>54,167</u></u>

We recorded an increase in our deposits, prepayments and other receivables during the Track Record Period, which was mainly attributable to (i) the increase in our rental and deposits items; and (ii) the increase in prepayments to our suppliers.

As at 31 March 2016, 2017, 2018 and 31 July 2018, our deposits amounted to approximately HK\$19.1 million, HK\$26.2 million, HK\$34.3 million and HK\$35.3 million, respectively, which mainly represent the deposits paid for the leasing of premises as our retail stores and other relevant items, such as management fee, air-conditioning charges and utilities. The increase in our deposits paid was generally in line with the increase in our number of retail stores during the Track Record Period.

Our prepayments mainly represent the prepayments made to our suppliers. Our prepayments increased from approximately HK\$8.5 million as at 31 March 2016, to HK\$17.9 million as at 31 March 2017. The increase in our prepayments was generally in line with the increase in our total revenue for the corresponding period. Our prepayments made to our suppliers then remained stable as at 31 March 2018 and as at 31 July 2018 compared to our prepayments as at 31 March 2017 and as at 31 July 2017.

FINANCIAL INFORMATION

Trade payables

Our trade payables primarily consist of balances due to our suppliers for purchases of products. We settle the majority of our trade payables on a cash-on-delivery basis, while some of our suppliers granted to us a credit period ranged from approximately 30 to 45 days during the Track Record Period.

The following table sets out the ageing analysis of trade payables, based on the invoice date as at the dates indicated:

	As at 31 March			As at
	2016	2017	2018	31 July 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	4,577	7,294	12,454	12,660
31 to 60 days	2,624	3,750	5,141	2,983
61 to 90 days	1,505	1,075	285	1,244
Over 90 days	644	80	366	636
	<u>9,350</u>	<u>12,199</u>	<u>18,246</u>	<u>17,523</u>

Our trade payables increased from approximately HK\$9.4 million as at 31 March 2016 to approximately HK\$12.2 million as at 31 March 2017 and further increased to approximately HK\$18.2 million as at 31 March 2018. The increase was primarily attributable to the increase in purchase from our suppliers due to the opening of more retail stores. Our trade payables decreased from approximately HK\$18.2 million as at 31 March 2018 to HK\$17.5 million as at 31 July 2018.

The decrease was attributable to the increase in purchase from suppliers for festive seasons which was settled after 31 March 2018.

The following table sets out the trade payables turnover days during the Track Record Period:

	Year ended 31 March		Four months ended	
	2016	2017	2018	31 July 2018
	<i>(days)</i>	<i>(days)</i>	<i>(days)</i>	<i>(days)</i>
Trade payables turnover days (<i>Note</i>)	8.2	8.3	7.6	9.7

Note: Trade payables turnover days for the year/period is derived by dividing the average of the opening and closing balances of trade payables for the relevant year/period by cost of inventories sold for the year/period and multiplying the results value by 365/122 days.

Our trade payables turnover days remained relatively stable for the year ended 31 March 2016, 2017, 2018 and for the four months ended 31 July 2018 at approximately 8.2 days, 8.3 days, 7.6 days and 9.7 days, respectively.

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As at the Latest Practicable Date, approximately HK\$17.2 million, representing approximately 97.9% of our Group's trade payables as at 31 July 2018 have been subsequently settled.

Our Directors confirm that our Group did not have any material default in payment of trade payables during the Track Record Period.

Accruals, receipts in advance and other payables

As at 31 March 2016, 2017, 2018 and 31 July 2018, our Group had accruals, receipts in advance and other payables of approximately HK\$13.9 million, HK\$16.6 million, HK\$28.5 million and HK\$23.9 million, respectively, which mainly comprised of (i) accrued employee benefit expenses; (ii) accruals for rental expenses; (iii) accruals for property, plant and equipment; (iv) accruals for logistics expenses; (v) accruals for operating and other expenses and (vi) provision for reinstatement costs. The following sets forth a breakdown of our accruals, other payables and receipts in advance as at the dates indicated:

	As at 31 March		As at 31 July	
	2016	2017	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals for employee benefit expenses	4,333	6,663	12,222	10,437
Accruals for rental expenses	4,667	6,298	8,501	5,920
Accruals for property, plant and equipment	1,708	282	50	1,077
Accruals for logistics expenses	960	788	3,697	2,495
Contract liabilities in relation to customer loyalty programme	69	114	292	551
Accruals for operating and other expenses	739	787	1,072	728
Receipts in advance	–	15	–	–
Contract liabilities in relation to cash coupon	20	18	709	383
Provision for reinstatement costs	1,372	1,649	1,990	2,330
Total	13,868	16,614	28,533	23,921

We recorded an increase in our accruals, receipts in advance and other payables as at 31 March 2016, 2017 and 2018, which was mainly attributable to (i) the increase in our accrued employee benefit expenses as a result of the increase in number of staff; and (ii) the increase in accrued expenses such as rental and logistics expenses which was in line with the expansion of our retail network during the Track Record Period. Our accruals, receipts in advance and other payables decreased from approximately HK\$28.5 million as at 31 March 2018 to approximately HK\$23.9 million as at 31 July 2018, which was mainly attributable to (i) decrease in our accrued employee benefit expenses as a result of the accrual of staff bonus as at 31 March 2018; (ii) decrease in our accrued rental expenses as a result of the payment of higher turnover rent for festive seasons during the period between December to February of each year; and (iii) decrease in accruals for logistics expenses as a result of cut off effect which includes accrual for logistics expenses as at 31 March 2018 required longer reconciliation time and was settled in May 2018.

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Our Directors have confirmed that our Group did not have any material default in payment of accruals and other payables during the Track Record Period.

CAPITAL EXPENDITURES

Historical capital expenditures

During the Track Record Period, our capital expenditures principally related to expenditures on leasehold improvements for our new retail stores and offices and purchase of (i) plant and equipment and (ii) furniture and fixtures for our retail stores and offices and our daily operational use amounted to approximately HK\$7.9 million, HK\$10.6 million, HK\$12.7 million and HK\$6.9 million for the year ended 31 March 2016, 2017, 2018 and the four months ended 31 July 2018, respectively. We principally funded our capital expenditures through a combination of internal generated fund, bank borrowings and advances from shareholders.

Planned capital expenditures

Save for the planned capital expenditure as disclosed in section headed “Future Plans and Use of Proceeds” and the additions of property, plant and equipment necessary for our business operations which will be made by our Group from time to time, our Group had no material planned capital expenditures as at the Latest Practicable Date.

COMMITMENTS

Capital commitment

As at 31 March 2016, 2017, 2018 and 31 July 2018, our capital commitment was principally for renovation of our retail stores and purchase of software for office. The following table sets out the amount of our capital commitment as at the dates indicated:

	As at 31 March		As at 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commitments for property, plant and equipment:				
Contracted for but not provided	350	14	138	147

FINANCIAL INFORMATION

Operating leases commitments and other commitments

We have operating lease commitments and other commitments which represent minimum lease payments due from us as lessee of rental premises under non-cancellable operating leases in respect of our offices, retail stores and service fees payable for our warehouse as follows:

	As at 31 March		As at 31 July	
	2016	2017	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating lease commitments	77,251	145,552	132,457	146,036
Other commitments	33,350	35,379	31,232	27,445
	-----	-----	-----	-----
Total	110,601	180,931	163,689	173,481
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The above lease commitments do not include commitments for additional rental payables, if any, when turnover of individual retail outlets exceeds a pre-determined level as it is not possible to determine in advance the amount of such additional rentals.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our principal liquidity and working capital requirements primarily related to our operating expenses. During the Track Record Period, we had generally financed our liquidity and working capital requirement through cash generated from our operations, banking facilities and advances from our shareholders. Going forward, we expect to finance our liquidity and working capital requirements through a combination of various sources, including but not limited to cash generated from our operations, bank borrowings, net proceeds from the Share Offer, and other external equity and debt financings as and when appropriate.

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Cash flows

The following table sets forth a summary of our combined statements of cash flows during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July	
	2016	2017	2018	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>				
Net cash (used in)/generated from operating activities	(679)	281	65,032	(24,944)	(15,545)
Net cash used in investing activities	(7,822)	(16,921)	(18,362)	(9,559)	(6,031)
Net cash generated from/(used in) financing activities	6,481	28,543	(30,737)	37,479	17,317
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net (decrease)/increase in cash and cash equivalents	(2,020)	11,903	15,933	2,976	(4,259)
Cash and cash equivalents at the beginning of the year/period	1,952	(68)	11,835	11,835	27,768
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the year/period	<u>(68)</u>	<u>11,835</u>	<u>27,768</u>	<u>14,811</u>	<u>23,509</u>
Analysis of balances of cash and cash equivalents					
Cash and bank balances, cash and cash equivalents as stated in the combined statements of financial position	8,841	19,243	27,768	22,221	27,027
Bank overdrafts	(8,909)	(7,408)	–	(7,410)	(3,518)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalent as stated in the combined statements of cash flows	<u>(68)</u>	<u>11,835</u>	<u>27,768</u>	<u>14,811</u>	<u>23,509</u>

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Net cash (used in)/generated from operating activities

Net cash used in operating activities in 2016 was approximately HK\$0.7 million. Operating cash flows before changes in working capital were approximately HK\$24.4 million, primarily reflecting profit before income tax in the amount of approximately HK\$15.2 million, as adjusted by depreciation of property, plant and equipment of approximately HK\$4.1 million and written-off of inventories of approximately HK\$3.1 million. Changes in working capital contributed a cash outflow in the amount of approximately HK\$25.1 million consisting primarily of an increase in inventories in the amount of approximately HK\$25.1 million and an increase of deposits, prepayment and other receivables in the amount of approximately HK\$9.0 million and mitigated by the increase in accruals, receipts in advance and other payables of approximately HK\$5.7 million.

Net cash generated from operating activities in 2017 was approximately HK\$0.3 million. Operating cash flows before changes in working capital were approximately HK\$44.2 million, primarily reflecting profit before income tax in the amount of approximately HK\$30.4 million, as adjusted by depreciation of property, plant and equipment of approximately HK\$6.7 million and written-off of inventories of approximately HK\$4.5 million. Changes in working capital contributed a cash outflow in the amount of approximately HK\$43.9 million consisting primarily of an increase in inventories in the amount of approximately HK\$33.3 million and an increase of deposits, prepayment and other receivables in the amount of approximately HK\$16.6 million and mitigated by the increase in accruals, receipts in advance and other payables of approximately HK\$4.4 million.

Net cash generated from operating activities in 2018 was approximately HK\$65.0 million. Operating cash flows before changes in working capital were approximately HK\$84.2 million, primarily reflecting profit before income tax in the amount of approximately HK\$65.6 million, as adjusted by depreciation of property, plant and equipment of approximately HK\$9.7 million and written-off of inventories of approximately HK\$5.3 million. Changes in working capital contributed a cash outflow in the amount of approximately HK\$19.2 million consisting primarily of an increase in inventories in the amount of approximately HK\$12.8 million, payment of income tax of approximately HK\$12.1 million, and an increase of deposits, prepayment and other receivables in the amount of approximately HK\$9.7 million and mitigated by the increase in accruals, receipts in advance and other payables of approximately HK\$12.3 million.

Net cash used in operating activities for the four months ended 31 July 2018 was approximately HK\$15.5 million. Operating cashflows before changes in working capital were approximately HK\$14.2 million, primarily reflecting profit before income tax in the amount of approximately HK\$8.2 million, as adjusted by depreciation of property, plant and equipment of approximately HK\$3.5 million and written-off of inventories of approximately HK\$1.5 million. Changes in working capital contributed a cash outflow in the amount of approximately HK\$30.7 million consisting primarily of an increase in inventories in the amount of approximately HK\$25.1 million and a decrease in accruals, receipts in advance and other payables of approximately HK\$5.6 million.

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In the course of opening additional retail stores, additional working capital will be incurred for the purchase and replenishment of additional inventories, and payment of rental deposits, it will take time for achieving breakeven or investment payback in opening new retail stores which may not be able to result in immediate increase in net operational cash inflow. To maintain a healthy operating cashflow in the future, we will closely monitor the timing and pace for opening additional retail stores so as to strike a balance between the expected initial operating cash outflow of new retail stores before their breakeven and the additional operating cash inflow to be generated from the new retail stores. Should the need arises, we will utilize our unutilised banking facilities to satisfy our cash outflow requirement. As part of our net proceeds will be used for the opening of new retail stores, our Directors believe the application of net proceeds from the Share Offer in opening new retail stores can decrease our cash outflow from operating activities for opening new retail stores.

Net cash used in investing activities

Net cash used in investing activities in 2016 was approximately HK\$7.8 million, primarily reflecting the purchase of property, plant and equipment of approximately HK\$7.8 million.

Net cash used in investing activities in 2017 was approximately HK\$16.9 million, primarily reflecting the purchase of property, plant and equipment of approximately HK\$11.6 million and increase in pledged bank deposits of approximately HK\$5.0 million.

Net cash used in investing activities in 2018 was approximately HK\$18.4 million, primarily reflecting the purchase of property, plant and equipment of approximately HK\$13.2 million and increase in pledged bank deposits of approximately HK\$5.0 million.

Net cash used in investing activities for the four months ended 31 July 2018 was approximately HK\$6.0 million, primarily reflecting the purchase of property, plant and equipment of approximately HK\$5.9 million and the increase in time deposits with original maturity over three months of approximately HK\$5.0 million and mitigated by the decrease in pledged bank deposits of approximately HK\$5.0 million.

Net cash (used in)/generated from financing activities

Net cash generated from financing activities in 2016 was approximately HK\$6.5 million reflecting primarily proceeds from bank borrowings of approximately HK\$156.7 million and mitigated by the repayments of bank borrowings of HK\$149.0 million.

Net cash generated from financing activities in 2017 was approximately HK\$28.5 million reflecting primarily proceeds from bank borrowings of approximately HK\$270.2 million and mitigated by (i) the repayments of bank borrowings of approximately HK\$225.0 million and (ii) decrease in amounts due to shareholders of approximately HK\$14.2 million.

Net cash used in financing activities in 2018 was approximately HK\$30.7 million primarily reflecting proceeds from bank borrowings of approximately HK\$336.2 million and mitigated by (i) the repayments of bank borrowings of HK\$349.1 million and (ii) decrease in amounts due to shareholders of approximately HK\$14.6 million.

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Net cash generated from financing activities for the four months ended 31 July 2018 was approximately HK\$17.3 million primarily reflecting proceeds from bank borrowings of approximately HK\$64.0 million and mitigated by the repayments of bank borrowings of HK\$45.9 million.

Directors' opinion on the sufficiency of our working capital

After taking into consideration of the financial resources presently available to us, including our cash and bank balances, the available banking facilities to our Group, the operating cash flow and the estimated net proceeds from the Share Offer, our Directors are of the view that we have sufficient working capital to meet our present requirements and for at least 12 months from the date of this prospectus.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISKS

During the Track Record Period, the main risks arising from our Group's financial instruments in the normal course of our Group's business were credit risk, liquidity risk, foreign currency risk and interest rate risk. For details, please see note 29 to the Accountants' Report.

KEY FINANCIAL RATIOS

	For the year ended/As at 31 March			For the four months ended/As at
	2016	2017	2018	31 July 2018
Net profit margin before interest and tax (<i>Note 1</i>)	3.6%	4.8%	6.4%	2.7%
Net profit margin (<i>Note 2</i>)	2.6%	3.6%	5.0%	1.7%
Net profit margin (excluding Listing expenses) (<i>Note 3</i>)	2.6%	3.6%	5.4%	3.5%
Interest coverage (<i>Note 4</i>)	10.6	12.5	21.2	10.2
Current ratio (<i>Note 5</i>)	1.0	1.1	1.7	2.0
Quick ratio (<i>Note 6</i>)	0.3	0.4	0.7	0.8
Return on equity (<i>Note 7</i>)	86.2%	63.5%	57.5%	N/A
Return on total assets (<i>Note 8</i>)	11.0%	14.0%	24.8%	N/A
Gearing ratio (<i>Note 9</i>)	504.4%	258.7%	72.5%	90.2%
Debt to equity ratio (<i>Note 10</i>)	443.2%	197.5%	31.9%	52.7%

Notes:

1. Net profit margin before interest and tax is calculated based on the net profit netting off the interest and tax expense for the year and period divided by total revenue for the year and period and multiplied by 100%.
2. Net profit margin is calculated by the net profit for the year and period divided by the revenue for the respective years and period and multiplied by 100%.

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3. Net profit margin (excluding Listing expenses) is calculated by the net profit for the year and period after adding back the Listing expense in the corresponding year and period and divided by the revenue for the respective years and period and multiplied by 100%.
4. Interest coverage is calculated based on the profit before interest and tax for the year and period divided by interest expenses for the year and period.
5. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the respective years and period.
6. Quick ratio is calculated by dividing the total current assets excluding inventories by the total current liabilities as at the end of respective years and period.
7. Return on equity is calculated by dividing net profit for the year and period by total equity at the end of the respective years and period.
8. Return on total assets is calculated by the net profit for the year and period divided by total assets at the end of the year and period and multiplied by 100%.
9. Gearing ratio is calculated based on the total debts divided by the total equity at the end of the year and period and multiplied by 100%. The total debts of our Group refers to bank overdrafts and borrowings and amounts due to shareholders.
10. Debt to equity ratio is calculated by the net debt (total debt net off cash and bank balances) divided by the total equity as of the respective year and period end and multiplied by 100%.

Net profit margin before interest and tax, net profit margin excluding Listing expenses and net profit margin

Our Group recorded net profit margin before interest and tax of approximately 3.6%, 4.8% and 6.4% for the year ended 31 March 2016, 2017 and 2018, respectively. The increase of our net profit margin before interest and tax during the Track Record Period was mainly attributable to (i) the increase in our gross profit margin mainly resulted from (a) our continued effort in sourcing our products directly from more upstream suppliers; and (b) the discount from suppliers as a result of bulk purchase; and (ii) certain of our operating expenses, such as service expenses for using the operating facilities of warehouse and rental expenses of our office, did not increase at the same percentage as our revenue. Our net profit margin before interest and tax decreased to approximately 2.7% for the four months ended 31 July 2018 mainly due to seasonality effect and Listing expenses.

Our net profit margin increased from approximately 2.6% for the year ended 31 March 2016 to approximately 3.6% for the year ended 31 March 2017 and further increased to approximately 5.0% for the year ended 31 March 2018 and then decreased to approximately 1.7% for the four months ended 31 July 2018, which was in line with the movement of our net profit margin before interest and tax as discussed above.

Our net profit margin before interest and tax were approximately 3.2% and 2.7%, respectively for the four months ended 31 July 2017 and 2018, while our net profit margin were approximately 2.3% and 1.7%, respectively for the four months ended 31 July 2017 and 2018. Nevertheless, when taking away the effect of the Listing expenses, our net profit margin (excluding Listing expenses) demonstrated an increase from approximately 2.5% for the four months ended 31 July 2017 to approximately 3.5% for the four months ended 31 July 2018, which was in line with the overall growing trend of our net profit margin during the Track Record Period.

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Interest coverage

Our Group had interest coverage of approximately 10.6 times, 12.5 times and 21.2 times, for the year ended 31 March 2016, 2017 and 2018, respectively. The increase in our interest coverage during the three years ended 31 March 2018 was mainly due to the increase in revenue and profit before interest and tax as a result of the expansion of our retail stores, such that we utilised larger amount of cash generated from operating activities to fund our operation so as to lower our interest expenses during the year. Our interest coverage decreased to approximately 10.2 times for the four months ended 31 July 2018 mainly due to decrease in our net profit and the increase in non-current interest-bearing bank borrowings for the four months ended 31 July 2018.

Current ratio

Our current ratio remained relatively stable at approximately 1.0 time as at 31 March 2016 and approximately 1.1 times as at 31 March 2017. Our current ratio increased to approximately 1.7 times as at 31 March 2018 primarily because of the increase in cash and cash equivalent and decrease in bank overdrafts and borrowings due to the increase in cash received from sales of products in our retail stores as a result of the expansion of our retail network. Our current ratio further increased to approximately 2.0 times as at 31 July 2018 primarily attributable to the combined effect of the increase in inventories due to the opening of new retail stores and preparing promotional sales for the fifth anniversary of our Group in early September 2018, the decrease in trade payables due to the increase in purchase from suppliers for festive seasons and the settlement date of these trade payables were due after 31 March 2018, and the decrease in current portion of the bank overdrafts and borrowings due to the increase in non-current interest-bearing bank borrowings.

Quick ratio

Our quick ratio remained relatively stable at approximately 0.3 times and 0.4 times as at 31 March 2016 and 2017, respectively, and increased to approximately 0.7 times as at 31 March 2018 and further increased to approximately 0.8 times as at 31 July 2018. The fluctuation of our quick ratio during the Track Record Period was generally in line with the movement of our current ratio during such period.

Return on equity

Our return on equity decreased from approximately 86.2% for the year ended 31 March 2016 to approximately 63.5% for the year ended 31 March 2017 primarily because of the significant increase in the equity base from approximately HK\$14.4 million as at 31 March 2016 to approximately HK\$39.6 million as at 31 March 2017 as a result of the significant increase in retained earnings with the net profit of the previous year and such increase outpaced the increase in net profit from approximately HK\$12.5 million for the year ended 31 March 2016 to approximately HK\$25.1 million for the year ended 31 March 2017. Our return on equity decreased from approximately 63.5% for the year ended 31 March 2017 to approximately 57.5% for the year ended 31 March 2018 primarily because of the significant increase in the equity base from approximately HK\$39.6 million as at 31 March 2017 to approximately HK\$93.2 million as at 31 March 2018 as a result of the significant increase in retained earnings with the net profit of the previous year, and such increase outpaced the increase in net profit from approximately HK\$25.1 million for the year ended 31 March 2017 to approximately HK\$53.6 million for the year ended 31 March 2018.

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Return on total assets

Our return on total assets increased from approximately 11.0% as at 31 March 2016 to approximately 14.0% as at 31 March 2017 primarily due to the increase in net profit for the year ended 31 March 2017 of approximately 102.0% as a result of opening additional retail stores during the year, which was higher than the increase in the total assets of approximately 57.5% for the year ended 31 March 2017. Our return on total assets further increased from approximately 14.0% as at 31 March 2017 to approximately 24.8% primarily due to the increase in net profit for the year ended 31 March 2018 of approximately 113.2% as a result of opening additional retail stores during the year, which was higher than the increase in the total assets of approximately 20.6% for the year ended 31 March 2018.

Gearing ratio

Our gearing ratio decreased from approximately 504.4% as at 31 March 2016 to approximately 258.7% as at 31 March 2017, and further decreased to approximately 72.5% as at 31 March 2018. Such decrease was mainly due to the repayment of bank overdrafts and borrowings and amounts due to shareholders and the significant increase in retained earnings with the net profit of the previous year. Our gearing ratio increased from approximately 72.5% as at 31 March 2018 to approximately 90.2% as at 31 July 2018 mainly due to the increase in bank borrowings for repayment of Listing expenses and purchase of inventories for opening of new retail stores and for the promotional sales for the fifth anniversary of our Group in early September.

Debt to equity ratio

Our debt to equity ratio decreased from approximately 443.2% as at 31 March 2016 to approximately 197.5% as at 31 March 2017, and further decreased to approximately 31.9% as at 31 March 2018, our debt to equity ratio increased from approximately 31.9% as at 31 March 2018 to approximately 52.7% as at 31 July 2018. The fluctuation of our debt to equity ratio during the Track Record Period was generally in line with the movement of our gearing ratio during such period.

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INDEBTEDNESS

Borrowings

As at 31 October 2018, being the latest practicable date for the purpose of determining our indebtedness, our Group had total outstanding borrowings of approximately HK\$107.7 million. Our borrowings are denominated in Hong Kong dollars. The following table sets forth our borrowings as at the dates indicated:

	As at 31 March			As at	As at
	2016	2017	2018	31 July 2018	31 October 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(Unaudited)</i>
Current					
Secured bank overdrafts:					
Repayable within one year or on demand	8,909	7,408	–	3,518	2,470
Secured interest-bearing bank borrowings:					
Repayable within one year	35,179	80,447	52,363	44,383	63,957
Non-current					
Secured interest-bearing bank borrowings:					
Repayable between one and two years	–	–	3,376	9,176	9,176
Repayable between two and five years	–	–	11,816	32,116	32,116
Total borrowings	44,088	87,855	67,555	89,193	107,719

As at 31 October 2018, our borrowings comprised bank overdrafts and bank loans. Among our outstanding bank borrowings as at 31 October 2018, (i) approximately HK\$52.3 million was trade loans; (ii) approximately HK\$45.9 million was term loans; (iii) approximately HK\$4.0 million was revolving loans; (iv) approximately HK\$3.0 million was profits tax loan; and (v) approximately HK\$2.5 million was bank overdrafts. Our bank borrowings were secured by (i) pledge of bank deposits held by our Group; (ii) properties owned by related companies which owned by our Directors; and (iii) personal guarantees by our Directors.

As at 31 October 2018, being the latest practicable date for the purpose of determining our indebtedness, our Group's unutilised banking facilities amounted to approximately HK\$37.4 million.

The banks who granted the banking facilities to us have agreed in principal that the guarantees provided by our Directors and pledges of investment properties of one of our Directors and related companies will be released upon Listing and replaced by corporate guarantee given by our Company.

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Amounts due to shareholders

As at 31 March 2016, 2017, 2018 and 31 July 2018, our amounts due to shareholders amounted to approximately HK\$28.8 million, HK\$14.6 million, nil and nil, respectively. The amounts due to shareholders mainly represented the advances provided by Mr. Lin and Ms. Hui to our Group in meeting our working non-current capital requirements. The amounts due to shareholders were unsecured and interest-free except for the amounts due to shareholders of approximately HK\$ 10.0 million, HK\$10.0 million, nil and nil as at 31 March 2016, 2017, 2018 and 31 July 2018 which are repayable not less than twelve months, the remaining balance of approximately HK\$18.8 million; HK\$4.6 million, nil and nil as at 31 March 2016, 2017, 2018 and 31 July 2018 are repayable on demand. The amounts due to shareholders were fully repaid during the year ended 31 March 2018 and there was no outstanding balance of any up to the Latest Practicable Date.

Our borrowings from banks during the Track Record Period contained standard covenants that restricted us on, among others, change in our directors and shareholders. We have to notify our banks for any change in our directorship and ownership.

Our Directors confirm that our Group settled our debt obligations in a timely manner, had not experienced any difficulties in obtaining loans or breached any financial covenants in our banking facilities during the Track Record Period and up to the Latest Practicable Date.

Cross guarantee

As at 31 March 2016 and 2017, our Group has executed cross guarantees with its related companies for certain banking facilities which were shared with the related companies. As at 31 March 2016 and 2017, banking facilities of approximately HK\$178.7 million and HK\$446.6 million, respectively, were utilised by related companies and were secured by the properties of related companies and guaranteed by our Group and the related companies. As at 31 March 2018, the cross guarantees provided by our Group have been released.

Contingent liabilities

As at the Latest Practicable Date, our Group had no material contingent liabilities, guarantees or any litigation or claims of material importance, pending or threatened against any member of our Group. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since the Latest Practicable Date.

Save as disclosed above, and apart from normal trade payables and intra-group liabilities, as at 31 October 2018, being the latest practicable date for the preparation of our indebtedness statement in this prospectus, our Group did not have any outstanding mortgages, charges, pledges, debentures, loan capital, bank overdrafts and loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities or acceptance credits, any guarantees or other material contingent liabilities.

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Material indebtedness change

Save as disclosed above, our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in indebtedness of our Group since 31 October 2018, being the latest practicable date for the preparation of the indebtedness statement in this prospectus.

Our Directors confirm that as at the Latest Practicable Date, our Group did not have any plans to raise any material debt financing shortly after Listing.

SENSITIVITY AND BREAKEVEN ANALYSIS

Sensitivity analysis

During the Track Record Period, our largest operating cost components included (i) cost of sales; (ii) rental expenses relating to our retail stores, offices and service expenses for using the operating facilities of warehouse; and (iii) staff costs. These three largest operating cost components amounted to approximately HK\$431.9 million, HK\$622.4 million, HK\$947.0 million and HK\$302.9 million for the years ended 31 March 2016, 2017, 2018 and four months ended 31 July 2018, representing approximately 91.3%, 90.2%, 88.0% and 89.5% of our revenue of approximately HK\$472.8 million, HK\$690.0 million, HK\$1,075.9 million and HK\$338.5 million for the same year/period, respectively. Any material fluctuation in these operating cost components may affect the results of our operations.

The following table sets forth the sensitivity analysis on our major operating cost components, based on the hypothetical fluctuations of 5% and 10%, respectively, and their effects on our Group's profit before income tax for each of the years ended 31 March 2016, 2017, 2018 and the four months ended 31 July 2018 with all other variables held constant:

	Increase/ (decrease) in percentage	Year ended 31 March			Four months ended 31 July
		2016 (Decrease)/ increase in profit before tax HK\$'000	2017 (Decrease)/ increase in profit before tax HK\$'000	2018 (Decrease)/ increase in profit before tax HK\$'000	2018 (Decrease)/ increase in profit before tax HK\$'000
Cost of sales	5%	(16,722)	(23,687)	(36,682)	(11,260)
	(5)%	16,722	23,687	36,682	11,260
	10%	(33,444)	(47,374)	(73,364)	(22,520)
	(10)%	33,444	47,374	73,364	22,520
Rental expenses relating to our retail stores, offices and service expenses for using the operating facilities of warehouse	5%	(3,043)	(4,604)	(6,267)	(2,187)
	(5)%	3,043	4,604	6,267	2,187
	10%	(6,086)	(9,208)	(12,534)	(4,374)
	(10)%	6,086	9,208	12,534	4,374
Staff costs	5%	(1,831)	(2,827)	(4,399)	(1,696)
	(5)%	1,831	2,827	4,399	1,696
	10%	(3,662)	(5,654)	(8,798)	(3,392)
	(10)%	3,662	5,654	8,798	3,392

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Breakeven analysis

For the year ended 31 March 2016, our Group would record breakeven in profit before income tax, if, holding all other variables constant, with an increase in (i) cost of sales by approximately 4.6%; (ii) rental expenses relating to our retail stores and offices and service expenses for using the operating facilities of warehouse by approximately 25.0%; or (iii) staff costs by approximately 41.6%.

For the year ended 31 March 2017, our Group would record breakeven in profit before income tax, if, holding all other variables constant, with an increase in (i) cost of sales by approximately 6.4%; (ii) rental expenses relating to our retail stores and offices and service expenses for using the operating facilities of warehouse by approximately 33.0%; or (iii) staff costs by approximately 53.8%.

For the year ended 31 March 2018, our Group would record breakeven in profit before income tax, if, holding all other variables constant, with an increase in (i) cost of sales by approximately 8.9%; (ii) rental expenses relating to our retail stores and offices and service expenses for using the operating facilities of warehouse by approximately 52.3%; or (iii) staff costs by approximately 74.5%.

For the four months ended 31 July 2018, our Group would record breakeven in profit before income tax, if, holding all other variables constant, with an increase in (i) cost of sales by approximately 3.6%; (ii) rental expenses relating to our retail store, offices and service expenses for using the operating facilities of warehouse by approximately 18.7%; or (iii) staff costs by approximately 24.2%.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, except as otherwise disclosed in this prospectus, there had been no circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this prospectus, save for the expenses in connection with the Listing, which are non-recurring in nature, there has been no material adverse change in the financial or trading position or the prospects of our Group since 31 July 2018, being the date of our Company's latest audited financial statements as set out in Appendix I to this prospectus and there is no event since 31 July 2018 which would materially affect the information shown in our Historical Financial Information included in the Accountants' Report in Appendix I to this prospectus.

OFF-BALANCE SHEET COMMITMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DIVIDEND

Our Group did not declare or pay any dividend during the Track Record Period but had declared dividends in an aggregate of HK\$20 million to our then shareholders after 31 July 2018 and up to the Latest Practicable Date. Such dividends will be paid in full before the Listing Date. Our Company has no fixed dividend policy specifying a dividend payout ratio. The amount of any dividends to be declared in the future will depend on, among others, our Group's results of operations, available cashflows and

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financial condition, operating and capital requirements, the Articles of Association, the Companies Law, applicable laws and regulations and any other factors that our Directors deem relevant.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

RELATED PARTY TRANSACTIONS

Our Group entered into certain related party transactions which mainly relates to leasing of properties, sales of products, purchase of products, advances from shareholders and remuneration for key management personnel during the Track Record Period, details of which are set out in note 27 to the Accountants' Report in Appendix I to this prospectus. With respect to these related party transactions, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms that were no less favourable to us than terms available from Independent Third Parties which are fair and reasonable and in the interest of our Company and Shareholders as a whole. Certain of the related party transactions will continue after Listing, please see the section headed "Connected Transactions" in this prospectus for more details.

Our Directors confirm that, save for the related party transactions in relation to the leasing of properties to our Group, purchase of products from our Group and remuneration for key management personnel, which are conducted in our ordinary course of business, other related party transactions were discontinued as at the Latest Practicable Date.

DISTRIBUTABLE RESERVE

Under the Companies Law, we may pay dividends out of our profit or our share premium account in accordance with the provisions of our Articles of Association, provided that immediately following the date on which the dividend is proposed to be distributed, we remain able to pay our debts as and when they fall due in the ordinary course of business. Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to our Shareholders as at 31 March 2016, 2017, 2018 and 31 July 2018.

PROPERTY INTEREST

As at the Latest Practicable Date, we leased or obtained licences for 91 properties in Hong Kong as our retail stores and offices. Please refer to the section headed "Business — Properties" in this prospectus for details. During the Track Record Period and up to the Latest Practicable Date, our Group did not own any properties.

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UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted combined net tangible assets per Share as if the Share Offer had taken place on 31 July 2018 would be approximately HK\$0.32 (assuming an Offer Price of HK\$1.0 per Offer Share) and approximately HK\$0.37 (assuming an Offer Price of HK\$1.2 per Offer Share), respectively.

Our unaudited pro forma adjusted combined net tangible assets was prepared for illustrative purposes only and may not give a true picture of our financial position due to its hypothetical nature. For further details, please refer to the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus.

LISTING EXPENSES

The total Listing expenses in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$42.3 million (based on the mid-point of the indicative Offer Price range of HK\$1.1 per Offer Share). Among the estimated total Listing fees, (i) approximately HK\$13.4 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$28.9 million will be recorded as expenses in the combined statement of profit or loss and other comprehensive income, of which approximately HK\$4.6 million and HK\$6.2 million had been recognised for the year ended 31 March 2018 and the four months ended 31 July 2018, respectively and the remaining amount of approximately HK\$18.1 million is expected to be recognised after 31 July 2018 until completion of the Share Offer.

Our Directors would like to emphasise that the Listing expenses above are current estimates and are for reference only. The actual amount to be recognised in the combined financial statements for our Company for the year ending 31 March 2019 is subject to adjustment based on audit and the then changes in variables and assumptions and may differ from this estimate.

Prospective investors should note that the financial performance of our Group for the year ending 31 March 2019 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

POST BALANCE SHEET EVENTS

Please refer to the section headed “Summary – Recent Development And No Material Adverse Change” and note 33 to the Accountants’ Report for details.

RECENT DEVELOPMENT

Please refer to the section headed “Summary – Recent Development And No Material Adverse Change” for details.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section headed “Business – Our Business Strategies” in this prospectus for a detailed description of our future plans.

REASONS FOR LISTING

We believe that the Listing is important and beneficial to our Group and our Shareholders as a whole for the following reasons:

- (1) of the unutilised banking facilities as at 31 October 2018 of approximately HK\$37.4 million, only approximately HK\$14.7 million were facilities without specific use, such as trade, import or profit tax loan. As at 31 October 2018, despite we had cash and bank balances of approximately HK\$26.5 million and unutilised banking facilities without specific use limitation of approximately HK\$14.7 million, our Directors consider it necessary to maintain a relatively higher level of liquidity to meet the cash outflow requirement in relation to our purchase of goods and daily operation expenses, such as rental and salary expenses. We had cost of sales, rental and salary expenses of approximately HK\$733.6 million, HK\$125.3 million and HK\$88.0 million for the year ended 31 March 2018 and approximately HK\$225.2 million, HK\$43.7 million and HK\$33.9 million for the four months ended 31 July 2018, which translates into an average monthly cost of sales, rental and salary expenses of over HK\$61.1 million, HK\$10.4 million, HK\$7.3 million respectively for the year ended 31 March 2018 and approximately HK\$56.3 million, HK\$10.9 million and HK\$8.5 million respectively for the four months ended 31 July 2018, and a total of over HK\$78.8 million for the year ended 31 March 2018 and HK\$75.7 million for the four months ended 31 July 2018. It is clear that there is a need for us to maintain our existing bank facilities as a funding support for our daily operation so as to maintain liquidity.

The expansion of our retail network, which is one of our major business strategies, requires significant initial cashflow for renovation and acquisition of equipment, payment of rental deposits and purchase of inventory for the opening of additional retail stores, and also increase our working capital requirement for replenishment of inventory and staff costs. The Listing is an important step for the implementation of our business strategies as the net proceeds from the Share Offer provide us with the necessary additional financial resources, which is interest-free, for financing our retail network expansion plan without having to incur significant interests and financing expenses which will have adverse impact on our net profit margin;

- (2) a public listing status will further enhance the overall brand awareness of “Best Mart 360”, and will in turn strengthen our customers’ and stakeholders’ confidence, and place our Group in a better position to negotiate business terms with our banks, suppliers, landlords and other business partners;

FUTURE PLANS AND USE OF PROCEEDS

- (3) to maintain our public listing status in the future, we will be required to maintain a better internal control, corporate governance, transparent financial disclosure and regulatory supervision, which our Directors believe will be in the interest of our Company and our Shareholders as a whole;
- (4) our employee is one of the valuable assets of our Group and is vital to our business. Our ability to offer an equity-based incentive program after Listing enables us to attract, retain and motivate quality and competent staff;
- (5) following the Listing, our Group will have a broaden shareholders' base and will gain access to the Hong Kong capital markets for possible future fund raising for business expansions and/or other corporate usage in the longer term as and when necessary;
- (6) the Listing will enhance the liquidity of the Shares which will be freely traded in the Stock Exchange when compared to the limited liquidity of shares that are privately held before the Listing. Hence, our Directors consider that the Share Offer will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of our Shares.

Although the total Listing expenses incurred are approximately HK\$42.3 million, which represents a significant proportion of the gross proceeds from the Listing, such expenses are non-recurring by nature for which we would not have to pay following the completion of the Listing. With the reasons stated above, our Directors believe that the Listing is beneficial to us in the long run.

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer and assuming an Offer Price of HK\$1.1 per share, being the mid-point of the indicative Offer Price range) will be approximately HK\$232.7 million.

We currently intend to apply the net proceeds from the Share Offer in the following manner:

- (i) approximately 66.5%, or approximately HK\$154.8 million, will be used for the opening of new retail stores including approximately HK\$4.3 million, HK\$60.2 million, HK\$60.2 million and HK\$30.1 million for opening around 2, 28, 28 and 14 additional retail stores for each of the year ending 31 March 2019, 2020, 2021 and 2022 respectively, of which an aggregate of approximately HK\$28.8 million for renovation and acquisition of equipment; an aggregate of approximately HK\$21.6 million for payment of rental deposit; and an aggregate of approximately HK\$104.4 million for purchase of inventory. Among the 72 retail stores to be opened by utilising the net proceeds from the Share Offer, around 13, 21 and 38 retail stores were expected to be opened in Hong Kong Island, Kowloon and New Territories, respectively, with the utilisation of net proceeds of approximately HK\$28.0 million, HK\$45.1 million and HK\$81.7 million. For more details of the selection criteria for opening new retail stores, please refer to the paragraph headed "Our retail stores – Retail store selection criteria and opening of retail stores" in this section.

FUTURE PLANS AND USE OF PROCEEDS

- (ii) approximately 13.5%, or approximately HK\$31.3 million, will be used for intensifying and broadening marketing efforts, including placing advertisement on television and other traditional and new media, participating in promotional and/or sponsorship events, enhancing our online promotion channels and conducting joint promotion campaigns or activities with our business partners, such as card issuing institutions, banks and market players in entertainment industry;
- (iii) approximately 10.1%, or approximately HK\$23.5 million, will be used to upgrade information technology systems, in particular, to acquire a new ERP system with integrated platform that will further optimise our operation efficiency from the perspectives of capital and resources monitor and control, procurement planning and inventory control, supply chain planning and execution, sales channel support, business support, enterprise accounting and administration and customers management of which approximately HK\$17.8 million will be incurred in the year ending 31 March 2019; and approximately HK\$5.7 million will be incurred in the year ending 31 March 2020, respectively; and
- (iv) approximately 9.9%, or approximately HK\$23.1 million, will be used for general working capital purposes.

No agreements or undertakings have been signed in relation to the different use of proceeds from the Share Offer.

The above allocation of the net proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher level or a lower level compared to the midpoint of the indicative Offer Price range. If the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds to be received by us from the Share Offer will increase or decrease by approximately HK\$23.8 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above irrespective of whether the Offer Price is determined at the highest or lowest of the indicative Offer Price range.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds are not immediately applied to the above purposes or if we are unable to effect any part of our future development plans as intended, we intend to deposit the net proceeds into deposits with licensed banks and/or authorised financial institutions in Hong Kong insofar it is in our best interests. We will also disclose the same in the relevant annual report.

In the event of any material change in our use of net proceeds from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be made in accordance with the Listing Rules.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Sole Bookrunner

Lego Securities Limited

Joint Lead Manager

Great Roc Capital Securities Limited

Lego Securities Limited

Co-Lead Managers

Kingsway Financial Services Group Limited

Elstone Securities Limited

Lead Securities (HK) Limited

Canfield Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, we are offering the Public Offer Shares for subscription on, and subject to, the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares to be offered pursuant to the Share Offer as mentioned herein and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed severally and not jointly to subscribe or procure subscribers for the Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed, becoming unconditional and not having been terminated.

Grounds for Termination

The Sole Bookrunner may (for itself and on behalf of the other Public Offer Underwriters) by giving written notice to our Company, terminate the Public Offer Underwriting Agreement if prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into effect:
 - (i) any new law or regulation or any change in existing laws or regulations, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Cayman Islands, Hong Kong, or any other jurisdiction(s) relevant to any member of our Group or the Share Offer (collectively, the “**Relevant Jurisdictions**”); or
 - (ii) any change, or any event or series of events likely to result in any material change, in local, national or international financial, political, military, industrial, economic, currency exchange rates, exchange control, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including but not limited to conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of the Relevant Jurisdictions or elsewhere;
or

UNDERWRITING

- (iii) any moratorium, suspension or limitation on trading in shares or securities generally on, the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or a disruption has occurred in securities settlement, payment or clearance services or procedures in or affecting any of these stock exchanges and/or the Relevant Jurisdictions; or
- (iv) any material adverse change or development occurs involving a material adverse change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations or currency exchange rates in any of the Relevant Jurisdictions; or
- (v) save as disclosed in this prospectus, any material and adverse change in the condition, financial or otherwise, or in the earnings, business affairs, business prospects, trading position or operation of our Company or any member of our Group, including any action, suit, proceeding, litigation or claim of any third party of material importance being threatened or instigated against our Company or any member of our Group; or
- (vi) any change or development involving a materialisation of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (vii) any moratorium on or material disruption in banking activities or foreign exchange trading or settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (viii) any outbreak or escalation of hostilities (whether or not war is or has been declared) or act of terrorism or other state of emergency or calamity or wide-spread epidemic or political or social crisis involving directly or indirectly any of the Relevant Jurisdictions or any escalation thereof, or the declaration by any of the Relevant Jurisdictions of a national emergency or war; or
- (ix) any event of force majeure, including without limitation any act of God, war, riot, public disorder, civil commotion, fire, flood, earthquake, explosion, outbreak of disease or epidemic, terrorism (whether or not responsibility has been claimed), strike or lock-out affecting any of the Relevant Jurisdictions; or
- (x) the imposition of any economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, for or on any of the Relevant Jurisdictions; or
- (xi) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

and which, in the reasonable opinion of the Sole Bookrunner (for itself and on behalf of the other Public Offer Underwriters and after consultation with our Company):

UNDERWRITING

- (A) is or may be or is likely to be materially adverse to, or materially and adversely affect, the business, financial or other operational condition of our Company or our Group as a whole; or
- (B) has or may have or is likely to have a material adverse effect on the success of the Public Offer, the Placing or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of the Offer Shares; or
- (C) makes it inadvisable, inexpedient or impracticable to proceed with the Share Offer; or
- (b) there comes to the notice of the Sole Bookrunner any matter or event showing any of the warranties given by our Company, our Controlling Shareholders and our executive Directors in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any material respect which is or, in the reasonable opinion of the Sole Bookrunner, likely to be, material in the context of the Share Offer when given or repeated; or
- (c) there comes to the notice of the Sole Bookrunner any material breach on the part of our Company, our Controlling Shareholders or our executive Directors of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement; or
- (d) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus and not having been disclosed herein, constitute a material omission therefrom which gives or is likely to give rise to any material liability of our Company; or
- (e) any statement contained in this prospectus, the Application Forms, the formal notice and any announcements issued by our Company in connection with the Share Offer (including any supplement or amendment thereto) was, has or may become untrue, incorrect or misleading in any material respects; or
- (f) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer of the Offer Shares) by our Company or any aspect of the Share Offer with the Listing Rules or any other applicable laws and regulations; or
- (g) there shall have occurred any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Group pursuant to the indemnities referred to in the Public Offer Underwriting Agreement and/or the Placing Underwriting Agreement; or
- (h) a prohibition is imposed on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Share Offer; or
- (i) a valid demand by any creditor for repayment or payment of any material indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity which demand has or could reasonably be expected to have a material adverse effect on our Group taken as a whole; or

UNDERWRITING

- (j) a petition is presented for the winding-up or liquidation of our Company or any member of our Group or our Company or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any member of our Group or a provisional liquidator, receiver or manager is appointed over all or substantial part of the assets or undertaking of our Company or any member of our Group or anything analogous thereto occurs in respect of our Company or any member of our Group, which in the reasonable opinion of the Sole Bookrunner, may or is likely to be material in the context of the Share Offer provided that the Sole Bookrunner shall, to the extent practicable, seek to consult with our Company on the effect of any such development.

Undertakings to the Stock Exchange

Restrictions on our Company

We have undertaken to the Stock Exchange that we will not issue any further shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except for the circumstances set out in Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to our Company and to the Stock Exchange that he/she/its shall not, and shall procure that the relevant registered holder(s) shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) in the period commencing from the date by reference to which disclosure of his/her/its shareholdings is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner; or
- (b) in the period of six months commencing on the date on which the period referred to in (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a Controlling Shareholder.

Each of our Controlling Shareholders has further undertaken to our Company and the Stock Exchange that, within the period commencing from the date by reference to which disclosure of his/her/its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date:

- (a) when he/she/it pledges or charges any securities of our Company beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)(the “**Banking Ordinance**”) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, he/she/it will immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and

UNDERWRITING

- (b) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, he/she/it will immediately inform us of such indications.

Undertakings to the Public Offer Underwriters

By Our Company

We have, pursuant to the Public Offer Underwriting Agreement, undertaken to the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters that, without the prior written consent of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters)(such consent not to be unreasonably withheld or delayed) and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the Capitalisation Issue, any Shares which may fall to be issued by way of scrip dividend scheme or similar arrangements in accordance with the Memorandum and the Articles or any consolidation, sub-division or capital reduction of the Shares, our Company shall not allot and issue, accept subscriptions for, offer, sell or contract to sell, grant or agree to grant any option or other right in, directly or indirectly, conditionally or unconditionally, any shares, warrants or other convertible or exchangeable securities carrying the right to subscribe for or exchangeable into shares or other securities of our Company, or offer or agree to do any of the foregoing or announce any intention to do so (i) at any time during the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date (“**First Lock-up Period**”).

By Our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters and us that, save as (i) pursuant to the Share Offer; or (ii) permitted under the Listing Rules:

- (a) he/her/it will not, and will procure that none of his/her/its associates or company controlled by him/her/it or any of his/her/its associates, nominees or trustees holding in trust for him/her/it will, at any time during the First Lock-up Period, sell, transfer or otherwise dispose of or enter into any agreement to sell, transfer or to dispose of, or otherwise create any options,

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rights, interest or encumbrance in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner directly or indirectly or any interest in any Shares in any company controlled by him/her/it which is the beneficial owner of any of these Shares (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance) as of the Listing Date (the “**Relevant Securities**”);

- (b) each of our Controlling Shareholders will not, and will procure that none of his/her/its associates or any company controlled by him/her/it or any of his/her/its associates, nominees or trustees holding in trust for him/her/it will, at any time during the six months commencing on the date on which the First Lock-up Period expires, sell, transfer or otherwise dispose of or enter into any agreement to sell, transfer or to dispose of, or otherwise create any options, rights, interest or encumbrance in respect of, any of the Relevant Securities (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance), or announce any intention to do so, if, immediately following such transactions, it will result in our Controlling Shareholders and/or any companies controlled by him/her/it, his/her/its associates, nominee or trustee when taken together, would cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company; and
- (c) without prejudice to the undertakings as referred to in paragraphs (a) and (b) above, during the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:
 - (i) when he/she/it pledges or charges or otherwise create any rights of encumbrances over any Relevant Securities in favour of an authorised institution (as defined in the Banking Ordinance) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company, the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) of such pledge or charge or creation of the rights of encumbrances together with the number of the securities so pledged or charged; and
 - (ii) subsequent to the pledge or charge or creation of rights or encumbrances over the Relevant Securities (or interest therein) or other shares or interests as mentioned in sub-paragraph (i) above, when he/she/it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or

UNDERWRITING

encumbered securities as referred to in sub-paragraph (i) above will be disposed of, immediately inform our Company in writing of such indications, and inform the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in writing as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications.

We will also, as soon as we have been informed of the above matters (if any) by our Controlling Shareholders, inform the Sole Bookrunner and disclose such matters as soon as possible by way of an announcement to be published as required under the Listing Rules.

Indemnity

Each of our Company and our Controlling Shareholders has agreed to indemnify the Sole Sponsor, the Joint Lead Managers, the Sole Bookrunner and the Public Offer Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations in legal and reasonable manner under the Public Offer Underwriting Agreement.

Commission, Incentive Fee and Expenses

Under the terms and conditions of the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive a gross underwriting commission of 2.0% of the highest point of the indicative Offer Price as stated in this prospectus payable for each Public Offer Share initially offered by our Company, out of which they will pay any sub-underwriting commissions.

The aggregate commissions and fees payable by us in relation to the Share Offer, together with Stock Exchange listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$42.3 million (assuming an Offer Price of HK\$1.1, which is the mid-point of our indicative offer price range) in total.

The Placing

In connection with the Placing, it is expected that we will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters. Under the Placing Underwriting Agreement, the Placing Underwriters to be named therein would severally and not jointly, agree to procure subscribers for or purchasers for, or failing which to subscribe for or purchase themselves, their respective applicable proportions of the Placing Shares initially being offered in the Placing.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

PUBLIC OFFER UNDERWRITERS' INTEREST IN OUR COMPANY

Save for its obligations under the Public Offer Underwriting Agreement, none of the Public Offer Underwriters is interested legally or beneficially in any Shares of our Company or any other member of our Company or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any other member of our Company in the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer and Placing as part of the Share Offer. The Share Offer consists of:

- (i) the Public Offer of 25,000,000 Shares (subject to reallocation) in Hong Kong as described below under the paragraph under “The Public Offer” below; and
- (ii) the Placing of 225,000,000 Shares to selected professional, institutional and private investors outside the United States in reliance on Regulation S.

The number of the Public Offer Shares and the Placing Shares to be offered under the Public Offer and the Placing respectively, may be subject to reallocation as described below under the paragraph under “Pricing and allocation” below.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional on, among other things:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued and sold as mentioned herein and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the Offer Price having been duly determined and the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Bookrunner (acting for itself and on behalf of other Underwriters)) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus. The consummation of each of the Placing and the Public Offer is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Share Offer on the website of our Company at www.bestmart360.com and the Stock Exchange at www.hkexnews.hk on the next day following such lapse.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In the above situation, we will return all application monies to the applicants, without interest and on the terms set out in “How to Apply for Public Offer Shares” in this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

We expect to despatch Share certificates for the Offer Shares on Thursday, 10 January 2019. However, these Share certificates will only become valid certificates of title if (a) the Share Offer has become unconditional in all respects and (b) the right of termination as described in “Underwriting” in this prospectus has not been exercised, which is expected to be at 8:00 a.m. (Hong Kong time) on the Listing Date.

PRICING AND ALLOCATION

Offer Price Range

The Offer Price will not be more than HK\$1.2 per Offer Share and is expected to be not less than HK\$1.0 per Offer Share, unless otherwise announced no later than the morning of the last day for lodging applications under the Public Offer, as explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative range of the Offer Price stated in this prospectus.**

Price payable on application

Applicants for Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.2 for each Public Offer Share (plus brokerage fee, SFC transaction levy and the Stock Exchange trading fees). If the Offer Price is less than HK\$1.2, appropriate refund payments (including brokerage fee, SFC transaction levy and the Stock Exchange trading fees attributable to the surplus application monies) will be made to successful applicants without interest. Further details is set out in the paragraph headed “How to Apply for Public Offer Shares – 13. Despatch/Collection of Share Certificates and Refund Cheques” in this prospectus.

Determining the Offer Price

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring the Placing Shares. Prospective professional and institutional investors will be required to specify the number of the Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and cease on or around, the last day for lodging applications under the Public Offer.

The Offer Price is expected to be determined by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 4 January 2019 and in any event, no later than Wednesday, 9 January 2019.

If, for any reason, the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company are unable to reach agreement on the Offer Price on or before 9 January 2019, the Share Offer will not proceed and will lapse.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reduction in Offer Price range and/or number of Offer Shares

If the Sole Bookrunner (for itself and on behalf of the other Underwriters) considers it appropriate, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer with the consent of our Company.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer Shares, cause to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.bestmart360.com an announcement of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently disclosed in the section headed “Summary” in this prospectus, the use of proceeds in the section headed “Future Plans and Use of Proceeds” in this prospectus, and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative range of the Offer Price and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants under the Public Offer should note that in no circumstances can applications be withdrawn once submitted, even if the indicative range of the Offer Price and/or number of Offer Shares is so reduced.

Allocation

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Bookrunner.

Allocation of the Offer Shares under the Placing will be determined by the Sole Bookrunner and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the listing of the Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Offer Shares to under the Public Offer will be based solely on the level of applications received under the Public Offer. The basis of allocation may vary depending on the number of Public Offer Shares applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Announcement of Offer Price and basis of allocations

The Offer Price is expected to be announced on Thursday, 10 January 2019, and the level of applications in the Public Offer, the level of indications of interest in the Placing, and the basis of allocations of the Public Offer Shares are expected to be announced on Thursday, 10 January 2019, on our website www.bestmart360.com (in English and Chinese) and on the Hong Kong Stock Exchange's website (www.hkexnews.hk) and in a variety of channels in the manner described in the paragraph headed "How to Apply for Public Offer Shares – 10. Publication of Results" in this prospectus. You should note that our website and all information contained in our website, does not form part of this prospectus.

THE PUBLIC OFFER

We are initially offering 25,000,000 Shares at the Offer Price, representing 10% of the 250,000,000 Shares available under the Share Offer, for subscription by the public in Hong Kong.

The total number of Public Offer Shares available under the Public Offer will initially be divided equally into two pools for allocation purposes as follows:

Pool A: The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregated subscription price of HK\$5 million or less (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee payable); and

Pool B: The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of more than HK\$5 million and up to the value of pool B (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Public Offer Shares and any application for more than 12,500,000 Public Offer Shares, being the number of Public Offer Shares available under each pool, are liable to be rejected.

RE-ALLOCATION BETWEEN THE PLACING AND THE PUBLIC OFFER

The allocation of Shares between the Public Offer and the Placing is subject to adjustment and reallocation on the following basis.

Where the Placing Shares are fully subscribed or oversubscribed:

- (a) if the Public Offer Shares are undersubscribed, the Sole Bookrunner has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Bookrunner deems appropriate;
- (b) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 25,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares available under the Share Offer;

- (c) if the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Public Offer Shares initially available under the Public Offer, the total number of Public Offer Shares available under the Public Offer will be increased to 75,000,000, 100,000,000 and 125,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares available under the Share Offer.

Where the Placing Shares are undersubscribed, (a) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; or (b) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 25,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares available under the Share Offer.

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (i) the Placing Shares are fully subscribed or oversubscribed and the Offer Shares are fully subscribed or oversubscribed by less than 15 times or (ii) the Placing Shares are undersubscribed and the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times of the initial number of the Public Offer Shares, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$1.0 per Offer Share) stated in this prospectus.

In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is conducted other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be allocated to the Public Offer following such reallocation shall be not more than 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares available under the Share Offer.

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Bookrunner and such additional Offer Shares will be allocated to Pool A and Pool B equally. If the Public Offer Shares are not fully subscribed, the Sole Bookrunner has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Bookrunner deems appropriate.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Each applicant under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Placing Shares, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue. Our Company, our Directors and the Public Offer Underwriters will take reasonable steps to identify and reject applications under the Public Offer from investors who have received Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have received Shares in the Public Offer.

The Sole Bookrunner (for itself and on behalf of the other Underwriters) may require any investor who has been offered Shares under the Placing and who has made an application under the Public Offer to provide sufficient information to the Sole Bookrunner of the Public Offer so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer. References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

THE PLACING

The Placing will consist of initially 225,000,000 Shares, representing 90% of the Shares (subject to adjustment) under the Share Offer, to be offered by us outside of the United States in reliance on Regulation S under the U.S. Securities Act, including to professional, institutional and private investors in Hong Kong.

THE SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into the CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 11 January 2019, dealings in Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 11 January 2019. The Shares will be traded in board lots of 2,000 Shares each and the stock code is 2360.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- (a) use a **WHITE** or **YELLOW** Application Form; or
- (b) electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Bookrunner and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for Public Offer Shares on **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- (a) are 18 years of age or older;
- (b) have a Hong Kong address;
- (c) are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- (d) are not a legal or natural person of the PRC.

If you are a firm, the application must be in the names of the individual members. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, we and the Sole Bookrunner (or its agents or nominees) may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- (a) an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- (b) a director or chief executive of our Company and/or any of our subsidiaries;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (c) a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- (d) an associate (as defined in the Listing Rules) of any of the above; or
- (e) have been allocated or have applied for or have indicated an interest in any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 28 December 2018 until 12:00 noon on Friday, 4 January 2019 from:

any of the addresses of the Public Offer Underwriters:

Lego Securities Limited	Room 301, 3/F, China Building 29 Queen's Road Central Central, Hong Kong
Great Roc Capital Securities Limited	Suite 1601-1603, 16/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central Hong Kong
Kingsway Financial Services Group Limited	7/F Tower 1, Lippo Centre 89 Queensway Hong Kong
Elstone Securities Limited	Suite 3712, 37/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Lead Securities (HK) Limited	Unit A, 23/F The Wellington 198 Wellington Street Sheung Wan, Hong Kong
Canfield Securities Company Limited	Units 4201-05, COSCO Tower 183 Queen's Road Central Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

or any of the following branches of Bank of China (Hong Kong) Limited:

	Branch name	Address
Hong Kong Island	Lee Chung Street Branch	29-31 Lee Chung Street, Chai Wan, Hong Kong
	Connaught Road Central Branch	13-14 Connaught Road Central, Hong Kong
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing, Hong Kong
Kowloon	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong, Kowloon
	Sham Shui Po (On Ning Building) Branch	147-149 Castle Peak Road, Sham Shui Po, Kowloon
	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East, Kowloon
New Territories	Tai Po Branch	68-70 Po Heung Street, Tai Po Market, New Territories
	Kwai Chung Plaza Branch	A18-20, G/F Kwai Chung Plaza, 7-11 Kwai Foo Road, Kwai Chung, New Territories

HOW TO APPLY FOR PUBLIC OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 28 December 2018 until 12:00 noon on Friday, 4 January 2019 from:

- (1) the Depository Counter of HKSCC at 1/F One and Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- (2) your stockbroker, who may have such Application Form and this prospectus available.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — BEST MART 360 PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of Bank of China (Hong Kong) Limited listed above at the following times:

Friday, 28 December 2018 – 9:00 a.m. to 5:00 p.m.
Saturday, 29 December 2018 – 9:00 a.m. to 1:00 p.m.
Monday, 31 December 2018 – 9:00 a.m. to 5:00 p.m.
Wednesday, 2 January 2019 – 9:00 a.m. to 5:00 p.m.
Thursday, 3 January 2019 – 9:00 a.m. to 5:00 p.m.
Friday, 4 January 2019 – 9:00 a.m. to 12:00 noon

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions on the Application Form carefully; otherwise your application may be rejected.

By submitting an Application Form, you:

- (a) **undertake** to execute all relevant documents and instruct and authorise us and/or the Sole Bookrunner (or its agents or nominees) as agents for us to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees, as required by the Articles of Association;
- (b) **agree** to comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association;
- (c) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to bound by them;
- (d) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information and representations except those in any supplement to this prospectus;
- (e) **confirm** that you are aware of the restrictions on the Share Offer in this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (f) **agree** that none of our Company, the Sole Sponsor, the Sole Bookrunner and the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer is or will be liable for the information and representations not in this prospectus (and any supplement to this prospectus);
- (g) **undertake** and **confirm** that, you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (h) **agree** to disclose to us, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner and the Underwriters and/or their respective advisors and agents personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of us, the Sole Sponsor, the Sole Bookrunner and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (j) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) **agree** that your application will be governed by the laws of Hong Kong;
- (l) **represent, warrant** and **undertake** that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) **warrant** that the information you have provided is true and accurate;
- (n) **agree** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) **authorise** our Company to place your name(s) or the name of HKSCC Nominees on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or our Company's agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on your Application Form, unless you are eligible to collect your Share certificate(s) and/or refund cheque(s) in person;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (p) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) **understand** that we and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General information

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One and Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

HOW TO APPLY FOR PUBLIC OFFER SHARES

You can also collect a prospectus from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to us, the Sole Bookrunner and our Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - (a) **agree** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant on your behalf or your CCASS Investor Participant stock account;
 - (b) **agree** to accept the Public Offer Shares applied for or any lesser number allocated;
 - (c) **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up or indicate, an interest for any Offer Shares under the Placing;
 - (d) (if the **electronic application instructions** are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;
 - (e) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly **authorised** to give those instructions as their agent;
 - (f) **confirm** that you understand that we, our Directors, and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (g) **authorise** us to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- (h) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (i) **confirm** that you have received and/or read a copy of this prospectus and have only relied on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- (j) **agree** that none of us, the Sole Sponsor, the Sole Bookrunner, the Underwriters, their respective directors, officers, employees, partners, agents or advisors and any other parties involved in the Share Offer, is or will be liable for the information and representations not contained in this prospectus (and any supplement to it);
- (k) **agree** to disclose your personal data to us, our Hong Kong Share Registrar, the receiving banker, the Sole Sponsor, the Sole Bookrunner, the Underwriters, and/or any of their respective advisors and agents;
- (l) **agree** (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, it cannot be rescinded for innocent misrepresentation;
- (m) **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the Application Lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of us agreeing that we will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the Application Lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (n) **agree** that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by us;
- (o) **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving of **electronic application instructions** to apply for the Public Offer Shares;
- (p) **agree** with us, for ourselves and for the benefit of each of our shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association; and
- (q) **agree** that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to us or any other person in respect of the things mentioned below:

- (a) instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- (b) instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies, (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee), by crediting your designated bank account; and
- (c) instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Minimum subscription amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Public Offer Shares. Instructions for more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the specified times on the following dates⁽¹⁾:

Friday, 28 December 2018 – 9:00 a.m. to 8:30 p.m.
Saturday, 29 December 2018 – 8:00 a.m. to 1:00 p.m.
Monday, 31 December 2018 – 8:00 a.m. to 8:30 p.m.
Wednesday, 2 January 2019 – 8:00 a.m. to 8:30 p.m.
Thursday, 3 January 2019 – 8:00 a.m. to 8:30 p.m.
Friday, 4 January 2019 – 8:00 a.m. to 12:00 noon

⁽¹⁾ The times in this section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 28 December 2018 until 12:00 noon on Friday, 4 January 2019 (24 hours daily, except on Saturday, 29 December 2018 and the last application day). The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 4 January 2019, the last application day or such later time as described in “9. Effect of Bad Weather on the Opening of the Application Lists” in this section of this prospectus.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Personal Data

The section in the Application Form headed “Personal Data” applies to any personal data held by us, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data and any other information about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. We, our Directors, the Sole Sponsor, the Sole Bookrunner and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems in the connection to the CCASS Phone System or the CCASS Internet System for submission of **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 4 January 2019.

7. HOW MANY APPLICATIONS YOU MAY MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- (a) an account number; or
- (b) some other identification code

for each beneficial owner (or, in the case of joint beneficial owners, for each such beneficial owner). If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- (a) the principal business of that company is dealing in securities; and
- (b) you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

HOW TO APPLY FOR PUBLIC OFFER SHARES

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- (a) control the composition of the board of directors of the company; or
- (b) control more than half of the voting power of the company; or
- (c) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage fee, SFC transaction levy, and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Form.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 2,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage fee will be paid to participants of the Stock Exchange, the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

Further details on the Offer Price is set out in “Structure and Conditions of the Share Offer – Pricing and allocation” in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The Application Lists will not open if there is:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a “black” rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 4 January 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If the Application Lists do not open and close on Friday, 4 January 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable” in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

We expect to announce the final Offer Price, the level of indication of interest in the Placing and the level of applications under the Public Offer and the basis of allocation under the Public Offer on Thursday, 10 January 2019 on our website at www.bestmart360.com, and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be made available at the times and date and in the manner specified below:

- (a) in the announcement to be posted on our website at www.bestmart360.com on and the website of the Stock Exchange at www.hkexnews.hk by no later than 8:00 a.m. Thursday, 10 January 2019;
- (b) from the designated results of allocation website at www.iporeresults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 10 January 2019 to 12:00 midnight on Wednesday, 16 January 2019;
- (c) by results telephone enquiry line by calling (852) 2862-8669 between 9:00 a.m. and 10:00 p.m. from Thursday, 10 January 2019 to Sunday, 13 January 2019; and
- (d) in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 10 January 2019 to Saturday, 12 January 2019 at the designated receiving bank branches.

If we accept your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in “Structure of and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR PUBLIC OFFER SHARES

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which Public Offer Shares will not be allotted to you:

(i) If your application is revoked

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with us.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If we or our agents exercise our discretion to reject your application

We, the Sole Sponsor, the Sole Bookrunner and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reason.

(iii) If the allotment of Public Offer Shares is void

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Public Offer Shares either:

- (a) within three weeks from the closing date of the Application Lists; or
- (b) within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies us of that longer period within three weeks of the closing date of the Application Lists.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (iv) **If:**
- (a) you make multiple applications or suspected multiple applications;
 - (b) you or the person for whose benefit you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
 - (c) your Application Form is not completed in accordance with the stated instructions;
 - (d) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
 - (e) the Underwriting Agreements do not become unconditional or are terminated;
 - (f) we or the Sole Bookrunner believe(s) that by accepting your application, we or it would violate applicable securities or other laws, rules or regulations; or
 - (g) your application is for more than 50% of the Public Offer Shares initially offered in the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.2 per Offer Share (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed "Structure and Conditions of the Share Offer – Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 10 January 2019.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES

You will receive one Share certificate for all the Public Offer Shares issued to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

HOW TO APPLY FOR PUBLIC OFFER SHARES

No temporary documents of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- (b) refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Thursday, 10 January 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 11 January 2019, provided that the Share Offer has become unconditional and the right of termination described in the sub-paragraph headed “Underwriting – Underwriting Arrangements and Expenses – Public Offer Underwriting Agreement – Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

14. PERSONAL COLLECTION

(a) If you apply using a **WHITE** Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and/or Share certificate(s) from Computershare Hong Kong Investor Services Limited, our Hong Kong Share Registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 10 January 2019 or any other date as notified by us in the newspapers.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are an individual who is eligible for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address as specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) and/or refund cheque(s) will be sent to the address on your Application Form on or before Thursday, 10 January 2019 by ordinary post at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as those for **WHITE** Application Form applicants as described above. If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on your Application Form on or before Thursday, 10 January 2019 by ordinary post at your own risk.

If you apply using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 10 January 2019 or upon contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS Participant (other than a CCASS Investor Participant) for Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "How to Apply for the Public Offer Shares – 10. Publication of results" in this prospectus on Thursday, 10 January 2019. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 January 2019 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your CCASS Investor Participant stock account, you can check the number of Public Offer Shares allocated to you via the CCASS Phone System and the CCASS Internet System.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(c) **If you apply via Electronic Application Instructions to HKSCC**

Allocation of Public Offer Shares

For the purposes of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated stock account of the CCASS Participant or your CCASS Investor Participant stock account on Thursday, 10 January 2019 or, on any other date determined by HKSCC or HKSCC Nominees.

We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), your Hong Kong Identity Card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner described in “How to Apply for the Public Offer Shares – 10. Publication of Results” in this prospectus on Thursday, 10 January 2019. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 January 2019 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, 10 January 2019. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies (if any) to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 10 January 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report set out on page I-1 to I-3 received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Report on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



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**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION
TO THE DIRECTORS OF BEST MART 360 HOLDINGS LIMITED AND LEGO CORPORATE
FINANCE LIMITED**

Introduction

We report on the historical financial information of Best Mart 360 Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages I-4 to I-43, which comprises the combined statements of financial position as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018 and the statements of financial position of the Company as at 31 March 2018 and 31 July 2018, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-43 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 28 December 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 March 2018 and 31 July 2018, the Group's financial position as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the four months ended 31 July 2017 and other explanatory information (together the "Stub Period Comparative Historical Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the

HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

BDO Limited

Certified Public Accountants

Chan Wing Fai

Practising Certificate no.: P05443

Hong Kong

28 December 2018

I. HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

Combined Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 March			Four months ended 31 July	
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000 (unaudited)	2018 HK\$'000
Revenue	7	472,831	689,994	1,075,930	256,496	338,459
Cost of sales		<u>(334,444)</u>	<u>(473,741)</u>	<u>(733,641)</u>	<u>(171,367)</u>	<u>(225,208)</u>
Gross profit		138,387	216,253	342,289	85,129	113,251
Other income and other gains/(losses), net	8	(170)	377	(179)	56	(139)
Selling and distribution expenses		<u>(108,626)</u>	<u>(165,535)</u>	<u>(238,352)</u>	<u>(68,706)</u>	<u>(85,969)</u>
Administrative and other expenses		<u>(12,769)</u>	<u>(18,023)</u>	<u>(34,962)</u>	<u>(8,329)</u>	<u>(18,050)</u>
Operating profit		16,822	33,072	68,796	8,150	9,093
Finance costs	9	<u>(1,591)</u>	<u>(2,641)</u>	<u>(3,244)</u>	<u>(946)</u>	<u>(893)</u>
Profit before income tax	10	15,231	30,431	65,552	7,204	8,200
Income tax expense	12	<u>(2,781)</u>	<u>(5,287)</u>	<u>(11,953)</u>	<u>(1,304)</u>	<u>(2,538)</u>
Profit and total comprehensive income for the year/period		<u>12,450</u>	<u>25,144</u>	<u>53,599</u>	<u>5,900</u>	<u>5,662</u>
Profit and total comprehensive income attributable to Owners of the Company		<u>12,450</u>	<u>25,144</u>	<u>53,599</u>	<u>5,900</u>	<u>5,662</u>
Earnings per share for the profit attributable to owners of the Company during the year/period (expressed in HK\$ per share)						
– Basic and diluted	14	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Combined Statements of Financial Position

	Notes	As at 31 March			As at
		2016	2017	2018	31 July
		HK\$'000	HK\$'000	HK\$'000	2018
					HK\$'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	15	11,736	15,616	18,182	21,448
Deposits	18	13,114	20,088	21,067	20,242
Deposits paid for purchase of property, plant and equipment	18	565	142	387	423
Deferred tax assets	20	–	362	748	794
		<u>25,415</u>	<u>36,208</u>	<u>40,384</u>	<u>42,907</u>
Current assets					
Inventories	16	63,775	92,634	100,162	123,755
Trade receivables	17	612	1,248	4,241	1,825
Deposits, prepayments and other receivables	18	15,012	24,629	33,302	33,502
Cash and bank balances	19	8,841	24,243	37,809	37,080
		<u>88,240</u>	<u>142,754</u>	<u>175,514</u>	<u>196,162</u>
Total assets		<u>113,655</u>	<u>178,962</u>	<u>215,898</u>	<u>239,069</u>
Current liabilities					
Trade payables	21	9,350	12,199	18,246	17,523
Accruals, receipts in advance and other payables	21	10,316	11,695	25,666	20,714
Bank overdrafts and borrowings	22	44,088	87,855	52,363	47,901
Amounts due to shareholders	23	18,751	4,556	–	–
Income tax payable		3,132	8,153	8,380	9,586
		<u>85,637</u>	<u>124,458</u>	<u>104,655</u>	<u>95,724</u>
Net current assets		<u>2,603</u>	<u>18,296</u>	<u>70,859</u>	<u>100,438</u>
Total assets less current liabilities		<u>28,018</u>	<u>54,504</u>	<u>111,243</u>	<u>143,345</u>

	<i>Notes</i>	As at 31 March			As at
		2016	2017	2018	31 July
		HK\$'000	HK\$'000	HK\$'000	2018
					HK\$'000
Non-current liabilities					
Accruals and other payables	21	3,552	4,919	2,867	3,207
Bank borrowings	22	–	–	15,192	41,292
Amounts due to shareholders	23	10,000	10,000	–	–
Deferred tax liabilities	20	25	–	–	–
		<u>13,577</u>	<u>14,919</u>	<u>18,059</u>	<u>44,499</u>
Net assets		<u>14,441</u>	<u>39,585</u>	<u>93,184</u>	<u>98,846</u>
EQUITY					
Equity attributable to the owners of the Company					
Share capital	24	–	–	–	–
Reserves	25	<u>14,441</u>	<u>39,585</u>	<u>93,184</u>	<u>98,846</u>
Total equity		<u>14,441</u>	<u>39,585</u>	<u>93,184</u>	<u>98,846</u>

Statements of Financial Position of the Company

		As at 31 March 2018 <i>HK\$'000</i>	As at 31 July 2018 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Net assets		_ ⁽¹⁾	_ ⁽¹⁾
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	_ ⁽¹⁾	_ ⁽¹⁾
Total equity		_ ⁽¹⁾	_ ⁽¹⁾

⁽¹⁾ As at 31 March 2018 and 31 July 2018, the Company had no assets and liabilities.

Combined Statements of Changes in Equity

	Share capital <i>HK\$'000</i> <i>(Note 24)</i>	Other reserve <i>HK\$'000</i> <i>(Note 25)</i>	Retained earnings <i>HK\$'000</i> <i>(Note 25)</i>	Total <i>HK\$'000</i>
At 1 April 2015	–	–	1,991	1,991
Profit and total comprehensive income for the year	–	–	12,450	12,450
At 31 March 2016 and 1 April 2016	–	–	14,441	14,441
Profit and total comprehensive income for the year	–	–	25,144	25,144
At 31 March 2017 and 1 April 2017	–	–	39,585	39,585
Profit and total comprehensive income for the year	–	–	53,599	53,599
At 31 March 2018 and 1 April 2018	–	–	93,184	93,184
Profit and total comprehensive income for the period	–	–	5,662	5,662
At 31 July 2018	–	–	98,846	98,846
For the four months ended 31 July 2017 (unaudited)				
At 1 April 2017	–	–	39,585	39,585
Profit and total comprehensive income for the period	–	–	5,900	5,900
At 31 July 2017	–	–	45,485	45,485

Combined Statements of Cash Flows

	Notes	Year ended 31 March			Four months ended 31 July	
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000 (unaudited)	2018 HK\$'000
Cash flows from operating activities						
Profit before income tax		15,231	30,431	65,552	7,204	8,200
Adjustments for:						
Interest income from bank deposits	8	(1)	(3)	(40)	(9)	(12)
Finance costs	9	1,591	2,641	3,244	946	893
Losses/(gains) on written-off/disposals of property, plant and equipment, net	8	373	(3)	425	68	151
Depreciation of property, plant and equipment	15	4,126	6,683	9,743	3,096	3,485
Written-off of inventories	10	3,091	4,477	5,264	1,754	1,481
		<u>24,411</u>	<u>44,226</u>	<u>84,188</u>	<u>13,059</u>	<u>14,198</u>
Increase in inventories		(25,064)	(33,336)	(12,792)	(39,419)	(25,074)
(Increase)/decrease in trade receivables		(432)	(636)	(2,993)	(2,312)	2,416
(Increase)/decrease in deposits, prepayments and other receivables		(8,961)	(16,591)	(9,652)	(3,705)	625
Increase/(decrease) in trade payables		3,630	2,849	6,047	6,469	(723)
Increase/(decrease) in accruals, receipts in advance and other payables		<u>5,737</u>	<u>4,422</u>	<u>12,346</u>	<u>5,952</u>	<u>(5,609)</u>
Cash (used in)/generated from operations		<u>(679)</u>	<u>934</u>	<u>77,144</u>	<u>(19,956)</u>	<u>(14,167)</u>
Income tax paid		<u>-</u>	<u>(653)</u>	<u>(12,112)</u>	<u>(4,988)</u>	<u>(1,378)</u>
Net cash (used in)/generated from operating activities		<u>(679)</u>	<u>281</u>	<u>65,032</u>	<u>(24,944)</u>	<u>(15,545)</u>
Cash flows from investing activities						
Purchase of property, plant and equipment		(7,780)	(11,600)	(13,225)	(4,565)	(5,911)
Proceeds from disposal of property, plant and equipment		55	37	14	12	-
Payments for reinstatement costs		(98)	(361)	(150)	(4)	(120)
(Increase)/decrease in pledged bank deposits		-	(5,000)	(5,041)	(5,011)	4,988
Increase in time deposits with original maturity of over three months when acquired		-	-	-	-	(5,000)
Bank interest received		<u>1</u>	<u>3</u>	<u>40</u>	<u>9</u>	<u>12</u>
Net cash used in investing activities		<u>(7,822)</u>	<u>(16,921)</u>	<u>(18,362)</u>	<u>(9,559)</u>	<u>(6,031)</u>

	<i>Notes</i>	Year ended 31 March			Four months ended 31 July	
		2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i>
Cash flows from financing activities						
Proceeds from bank borrowings		156,700	270,242	336,240	97,660	64,011
Repayments of bank borrowings		(149,033)	(224,974)	(349,132)	(59,514)	(45,891)
Interest paid		(1,591)	(2,530)	(3,289)	(907)	(803)
Increase/(decrease) in amounts due to shareholders		405	(14,195)	(14,556)	240	–
Net cash generated from/(used in) financing activities		<u>6,481</u>	<u>28,543</u>	<u>(30,737)</u>	<u>37,479</u>	<u>17,317</u>
Net (decrease)/increase in cash and cash equivalents		(2,020)	11,903	15,933	2,976	(4,259)
Cash and cash equivalents at beginning of year/period		<u>1,952</u>	<u>(68)</u>	<u>11,835</u>	<u>11,835</u>	<u>27,768</u>
Cash and cash equivalents at end of year/period		<u>(68)</u>	<u>11,835</u>	<u>27,768</u>	<u>14,811</u>	<u>23,509</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances, cash and cash equivalents as stated in the combined statements of financial position	19	8,841	19,243	27,768	22,221	27,027
Bank overdrafts	22	(8,909)	(7,408)	–	(7,410)	(3,518)
Cash and cash equivalents as stated in the combined statements of cash flows		<u>(68)</u>	<u>11,835</u>	<u>27,768</u>	<u>14,811</u>	<u>23,509</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. Corporate information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 24 January 2018. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is 14/F., SML Tower, 165 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries now comprising the group (the "Group") principally engage in retailing of food and beverage, household and personal care products under the "Best Mart 360° (優品360°)" brand stores in Hong Kong (the "Listing business").

No audited statutory financial statements have been prepared for the Company since its date of incorporation as the Company is not required to issue audited financial statements under statutory requirements of its place of incorporation.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as follows:

Name	Country and date of incorporation and form of business structure	Particulars of issued and fully paid up share capital	Attributable equity interests		Principal activities	Notes
			Direct	Indirect		
Best Mart 360 International Limited ("Best Mart BVI")	The British Virgin Islands ("BVI"), 23 February 2018, limited liability company	United States Dollars ("US\$")1	100%	–	Investment holding	(1)
Quality Food 360° (Holdings) Limited ("Quality Food 360°")	BVI, 25 April 2013, limited liability company	US\$2	–	100%	Investment holding	(1)
CIAO International Limited ("Ciao International")	Hong Kong, 14 December 2012, limited liability company	HK\$20,000	–	100%	Retailing of food and beverage, household and personal care products under the "Best Mart 360° (優品360°)" brand stores in Hong Kong	(2)

Notes:

- (1) No audited statutory financial statements have been prepared for Best Mart BVI and Quality Food 360° as they are not required to issue audited financial statements under statutory requirements of their respective places of incorporation.
- (2) The statutory financial statements of Ciao International for the years ended 31 March 2016 and 2017 were audited by SHINEWING (HK) CPA Limited, Certified Public Accountants and for the year ended 31 March 2018 were audited by BDO Limited, Certified Public Accountants.

2. Reorganisation and basis of preparation and presentation

Prior to the incorporation of the Company and the completion of the reorganisation, the Listing Business was carried on by companies now comprising the Group (hereinafter collectively referred to as the “Operating Companies”).

Pursuant to the reorganisation as detailed in “History, Reorganisation and Corporate Structure” to the Prospectus, (this “Reorganisation”) in preparation for the listing of shares of the Company on the Main Board of the Stock Exchange (the “Listing”) and for the purpose of rationalising the Group’s structure, the Company became the holding company of the Operating Companies now comprising the Group on 15 December 2018 by way of transfer of equity interests in Quality Food 360° to the Best Mart BVI in consideration of the Company’s allotment and issue of shares to the Company held by the then shareholders of Quality Food 360° (the “Share Transfer”).

Immediately prior to and after the Reorganisation, the Listing Business is held by the Operating Companies. Pursuant to the Reorganisation, the Operating Companies together with the Listing Business are transferred to and held by the Company through Best Mart BVI. The Share Transfer has no substance and does not form a business combination, and accordingly, the Historical Financial Information of the Company was with that of the operating subsidiaries using the predecessor carrying amounts. The Reorganisation is therefore merely a reorganisation of the Listing Business and does not constitute a business combination, as if the group structure under the Reorganisation had been in existence throughout the Track Record Period or since the respective dates of incorporation of the entities now comprising the Group, whichever is the shorter period.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period have been prepared using the historical financial information of the entities now comprising the Group, as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation of the relevant entities now comprising the Group where this is a shorter period. The combined statements of financial position of the Group as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018 have been prepared to present the assets and liabilities of the entities now comprising the Group which were in existence at those dates, as if the current group structure had been in existence as at the respective dates. The net assets and results of the Group were combined using the carrying value from the perspective of the ultimate controlling shareholder. All significant intra-group transactions and balances have been eliminated in full on combination.

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below, which conform to Hong Kong Financial Reporting Standards (“HKFRSs”) (which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited throughout the Track Record Period. All HKFRSs effective for accounting period commencing from 1 April 2018 together with the relevant transitional provisions, including HKFRS 9 “Financial Instruments” and HKFRS 15 “Revenue from Contracts with Customers” and the related amendments, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period.

The Historical Financial Information has been prepared under the historical cost.

The Historical Financial Information is presented in HK\$ which is also the functional currency of the Company and its subsidiaries and all values are rounded to the nearest thousands except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in the preparation of the Historical Financial Information. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

3. Impact of issued but not yet effective HKFRSs

The Group has not early applied the following new and revised HKFRSs that have been issued, potentially relevant to the Group's operations, but are not yet effective, during the Track Record Period in the Historical Financial Information.

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contract ²
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but is available for early adoption

None of the above new and revised HKFRSs is expected to have a significant effect on the Historical Financial Information, except as set out below:

HKFRS 16 – Leases

HKFRS 16 supersedes HKAS 17 “Leases”, HK(IFRIC)-Int 4 “Determining whether an Arrangement contain a Lease”, HK(SIC)-Int 15 “Operating Lease – Incentives” and HK(SIC)-Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 “Leases”. Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

HKFRS 16 substantially carries forward the lessor's accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

As at 31 July 2018, the Group has non-cancellable operating lease commitments of approximately HK\$146,036,000 as disclosed in Note 26. The Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the combined statement of financial position as right-of-use assets and lease liabilities.

Some of the commitments may be covered by the exception for short-term and low-value leases. The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

The Group has commenced an assessment of the impact of the other new and amended HKFRSs, but is not yet in a position to state whether they would have significant impacts on its result of operations and financial position.

4. Summary of significant accounting policies

4.1 Basis of combination

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries comprising the Group for the Track Record Period.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination. All differences between the cost of acquisition and the amount at which the assets and liabilities are recorded have been recognised directly in equity as part of reserve.

The Historical Financial Information includes the results and financial positions of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities first came under common control, where this is a shorter period, regardless of the date of the common control combination.

All intra-group transactions, balances and unrealised gains on transactions have been eliminated in full on combination. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which the case the loss is recognised in profit or loss. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee; (2) exposure, or rights, to variable returns from the investee; and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statements of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are recognised in profit or loss during the Track Record Period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the Track Record Period. The estimated useful lives are as follows:

Leasehold improvements	Over shorter of the lease term or 5 years
Plant and equipment	5 years
Furniture and fixtures	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.4 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

4.5 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using first-in-first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4.6 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

A financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

On initial recognition, the Group's financial assets are classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Impairment of financial assets

The Group recognises a loss allowance for expected credit loss (“ECL”) on the financial assets measured at amortised cost (including trade and other receivables and cash and bank balances). The Group measures a loss allowance at an amount equal to lifetime ECL.

Lifetime ECL represent the ECL that will result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk. For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected losses provision for all trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate).

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the combined statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) *Financial liabilities and equity instruments**Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

The Group's financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iii) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

4.7 Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash at bank and in hand, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash at banks and in hand, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

4.8 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Provision for reinstatement costs represents the present value of the estimated cost for the restoration work of the Group's leased retail stores and offices agreed to be carried out upon the expiry of the relevant leases using a risk-free pre-tax interest rate. The provision has been determined by the directors based on their best estimates. The related reinstatement costs have been included as leasehold improvements in the combined statements of financial position.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.9 Impairment of non-financial assets

At the end of each of the Track Record Period, the Group reviews the carrying amounts of following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- investments in subsidiaries

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as expense immediately, unless the relevant asset is carried at revalued amount under another HKFRS, in which case impairment loss is treated as revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as revaluation increase under HKFRS.

Value in use is based on the estimate further cash flow expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflect current market assessments of the time value of money and the risk specific to the asset or cash generating unit.

4.10 Employee benefits*(i) Short-term employee benefits*

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year/period when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4.11 Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each of the Track Record Period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary item carried at fair value are included in profit or loss for period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4.12 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.13 Income taxes

Income taxes for the Track Record Period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each of the Track Record Period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of each of the Track Record Period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.14 Revenue recognition

Sale of goods

The Group sells goods directly to retail customers within retail stores/warehouse. Revenue recognised from sale of goods to retail customers is recognised when the product is transferred to the customers upon sale. Payment of the transaction price is due immediately when the customers purchase the good. The payment is usually settled in cash or using credit cards, octopus card and Alipay online platform.

Discounts, coupons and other cash incentive to customers are accounted for as reduction of the transactions prices.

Customer loyalty programme

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to redeem award points for discounts in future purchases. The transaction price is allocated to the product and the award points on a relative stand-alone selling price basis. Revenue from the award points is recognised when the award points are redeemed. Contract liabilities are recognised until the award points are redeemed. Contract liabilities in relation to customer loyalty programme were included in "Accruals, receipts in advance and other payables".

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

4.15 Financial guarantee contract

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value. The fair value of a financial guarantee contract is the present value of the difference between the net contractual cash flows required under a debt instrument, and the net contractual cash flows that would have been required without the guarantee. The present value is calculated using a risk free rate of interest.

At the end of each subsequent reporting period financial guarantees are measured at the higher of

- the amount of the loss allowance; and
- the amount initially recognised less cumulative amortisation, where appropriate.

The amount of the loss allowance at each subsequent reporting period initially equal to 12-month ECL.

However, where there has been a significant increase in the risk that the specified debtor will default on the contract, the calculation is for lifetime ECL.

Expected credit losses for a financial guarantee contract are the cash shortfalls adjusted by the risks that are specific to the cash flows.

Cash shortfalls are the difference between:

- the expected payments to reimburse the holder for a credit loss that it incurs; and
- any amount that an entity expects to receive from the holder, the debtor or any other party.

4.16 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4.17 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal Historical Financial Information reported to the executive directors are determined following the Group's major product and service lines.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except interest income, unallocated finance costs, and unallocated corporate expenses, which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

No asymmetrical allocations have been applied to reportable segments.

5. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Historical Financial Information of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the Track Record Period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Historical Financial Information were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvement in production, or from a change in the market demand for the products or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in similar way. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgements and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

Impairment loss for non-financial assets

The Group assesses at the end of each of the Track Record Period whether non-financial assets suffered any impairment in accordance with accounting policy stated in Note 4.9. The non-financial assets are reviewed for the impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The determination of recoverable amount requires an estimation of future cash flows and the selection of appropriate discount rates. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

Income taxes

The Group is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

Provision for reinstatement costs of retail stores and offices

Most of the Group's retail stores are leased under operating lease and are subject to reinstatement obligation as stipulated in the lease agreements. Management assesses the amount of provision made for each store and office based on various factors, including the size of the store and office, the complexity of refurbishment and specific requirements from landlords. The Group's management assesses the adequacy of such provision at the end of each of the Track Record Period. As at 31 July 2018, the carrying amount of such provision was HK\$2,330,000.

6. Segment information

During the Track Record Period, the Group operates one reportable and operating segment which is the retailing sales of food and beverage, household and personal care products under the "Best Mart 360° (優品360°)" brand stores in Hong Kong. The Group determines its operating segment based on information reported to executive directors of the Company who are also the chief operating decision-maker that are used to make strategic decisions. Accordingly, the Group does not present separately segment information. In addition, all of the Group's revenue is generated in Hong Kong and all of the non-current assets are located in Hong Kong.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's total revenue for the Track Record Period, no information about major customers in accordance with HKFRS 8 Operating Segments is presented.

7. Revenue

The Group principally engages in retailing of food and beverage, household and personal care products under the "Best Mart 360° (優品360°)" brand stores in Hong Kong. All revenue of the Group is recognised at a point in time.

Revenue from the Group's principal activities during the Track Record Period is as follows:

	Year ended 31 March			Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000 (unaudited)	2018 HK\$'000
Retailing sales	474,085	691,336	1,077,468	256,739	339,765
Less: Sales discounts	(1,254)	(1,342)	(1,538)	(243)	(1,306)
	<u>472,831</u>	<u>689,994</u>	<u>1,075,930</u>	<u>256,496</u>	<u>338,459</u>

8. Other income and other gains/(losses), net

	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income from bank deposits	1	3	40	9	12
(Losses)/gains on written-off/disposals of property, plant and equipment, net	(373)	3	(425)	(68)	(151)
Compensation from early termination of a lease agreement	202	–	–	–	–
Promotion income	–	371	203	113	–
Others	–	–	3	2	–
	<u>(170)</u>	<u>377</u>	<u>(179)</u>	<u>56</u>	<u>(139)</u>

9. Finance costs

	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses on bank overdrafts and borrowings	1,591	2,641	3,244	946	893

10. Profit before income tax

Profit before income tax is arrived at after charging:

	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Directors' emoluments (Note 11(a))	–	–	300	60	120
Other staff costs:					
– Wages, salaries and other benefits	35,020	54,083	84,027	23,141	32,397
– Contributions to defined contribution pension plans	1,600	2,461	3,649	1,010	1,412
Depreciation of property, plant and equipment	4,126	6,683	9,743	3,096	3,485
Auditor's remuneration	150	217	118	37	51
Exchange differences, net	5	164	1,511	266	1,005
Listing expenses	–	–	4,636	488	6,170
Cost of inventories recognised as expenses	334,444	473,741	733,641	171,367	225,208
Written-off of inventories	3,091	4,477	5,264	1,754	1,481
Service expenses for using the operating facilities of warehouse	4,092	8,836	11,060	3,260	3,900
Operating lease payments in respect of retail stores and office					
– Minimum lease payments	51,914	72,197	93,222	29,721	33,364
– Contingent rents	1,375	3,353	8,961	1,002	1,901
	<u>53,289</u>	<u>75,550</u>	<u>102,183</u>	<u>30,723</u>	<u>35,265</u>

11. Directors' remuneration and five highest paid individuals

(a) Directors' remuneration

The remuneration of the directors for the Track Record Period is set out below:

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Contributions to defined contribution pension plans <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2016				
<i>Executive directors</i>				
Lin Tsz Fung	–	–	–	–
Hui Ngai Fan	–	–	–	–
	–	–	–	–
	–	–	–	–
Year ended 31 March 2017				
<i>Executive directors</i>				
Lin Tsz Fung	–	–	–	–
Hui Ngai Fan	–	–	–	–
	–	–	–	–
	–	–	–	–
Year ended 31 March 2018				
<i>Executive directors</i>				
Lin Tsz Fung	–	–	–	–
Hui Ngai Fan	–	300	–	300
	–	300	–	300
	–	300	–	300
Four months ended 31 July 2017 (unaudited)				
<i>Executive directors</i>				
Lin Tsz Fung	–	–	–	–
Hui Ngai Fan	–	60	–	60
	–	60	–	60
	–	60	–	60
Four months ended 31 July 2018				
<i>Executive directors</i>				
Lin Tsz Fung	–	–	–	–
Hui Ngai Fan	–	120	–	120
	–	120	–	120
	–	120	–	120

No directors waived any emoluments during the Track Record Period.

Mr. Lin Tsz Fung, the Company's executive director, did not receive remuneration during the Track Record Period as the director's remuneration is not provided in the articles of association of the Company or the Operating Companies and is not fixed by the Company or the Operating Companies at the general meetings.

Ms. Hui Ngai Fan, the Company's executive director, did not receive remuneration during the years ended 31 March 2016 and 2017 as the director's remuneration is not provided in the articles of association of the Company or the Operating Companies and is not fixed by the Company or the Operating Companies at the general meetings.

(b) Five highest-paid individuals

The five highest-paid individuals of the Group included nil directors for the Track Record Period, whose emoluments are included in Note 11(a) above. The emoluments of remaining 5 highest-paid individuals for the Track Record Period are set out below:

	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Salaries and other benefits	1,895	2,063	5,519	933	1,475
Contributions to defined contribution pension plans	84	85	90	30	30
	<u>1,979</u>	<u>2,148</u>	<u>5,609</u>	<u>963</u>	<u>1,505</u>

Their remuneration fell within the following bands:

	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	(unaudited)				
Nil to HK\$1,000,000	5	5	4	5	5
HK\$1,000,000 to HK\$5,000,000	–	–	1	–	–
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no directors or any of the highest-paid individuals waived or agreed to waive any emoluments. No emoluments were paid by the Group to the directors or any of the highest-paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. Income tax expense

The income tax expense in the combined statements of profit or loss and other comprehensive income during the Track Record Period represents:

	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Current income tax					
Tax for the year/period	2,756	5,694	12,359	1,493	2,584
Over-provision in respect of prior year	–	(20)	(20)	(20)	–
	<u>2,756</u>	<u>5,674</u>	<u>12,339</u>	<u>1,473</u>	<u>2,584</u>
Deferred income tax (Note 20)	25	(387)	(386)	(169)	(46)
Income tax expense	<u>2,781</u>	<u>5,287</u>	<u>11,953</u>	<u>1,304</u>	<u>2,538</u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is not subject to income tax in the Cayman Islands.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for each of the financial year/period during the Track Record Period except, for the four months ended 31 July 2018, Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Notes:

- (a) For the year of assessment 2015/2016, the Group received assessment demanding final tax on 6 March 2017. The final tax of approximately HK\$2,484,000 was assessed and due on 20 April 2017. The Group paid the tax in full on 18 April 2017.
- (b) For the year of assessment 2016/2017, the Group received assessment demanding final tax on 23 November 2017. The final tax of approximately HK\$5,493,000 was assessed. The Group paid the provisional tax of HK\$2,503,000 on 18 April 2017 and the balance of tax payable of HK\$2,990,000 on 11 January 2018. All tax payments were paid by due dates.
- (c) For the year of assessment 2017/2018, the Group received notice for payment of provisional tax on 23 November 2017. The Group paid the provisional tax of HK\$4,135,000 and HK\$1,378,000 on 11 January 2018 and 4 April 2018 respectively. All tax payments were paid by due dates.

The income tax expense for the Track Record Period can be reconciled to the accounting profit at applicable tax rates as follows:

	Year ended 31 March			Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000 (unaudited)	2018 HK\$'000
Profit before income tax expense	15,231	30,431	65,552	7,204	8,200
Tax on profit before income tax, calculated at the applicable Hong Kong profits tax rates	2,513	5,021	10,816	1,189	1,353
Tax effect of non-taxable income	(22)	(20)	–	–	–
Tax effect of non-deductible expenses	107	159	965	80	1,009
Tax effect of temporary difference not recognised	109	127	172	35	176
Others	74	–	–	–	–
Income tax expense	2,781	5,287	11,953	1,304	2,538

13. Dividends

No dividend has been paid or declared during the Track Record Period.

Pursuant to the memorandum of resolutions of directors of Quality Food 360° dated on 14 December 2018, a cash dividend of HK\$20,000,000 was declared to its then shareholders. The rate of dividend and the number of shares are not presented as such information is not considered meaningful for the purpose of this report.

14. Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the financial performance of the Group for the Track Record Period on a combined basis as described in Note 2 above.

15. Property, plant and equipment

	Leasehold improvements <i>HK\$'000</i>	Plant and equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2015				
Cost	6,605	3,519	1,393	11,517
Accumulated depreciation	(2,228)	(614)	(302)	(3,144)
Net carrying amount	<u>4,377</u>	<u>2,905</u>	<u>1,091</u>	<u>8,373</u>
Year ended 31 March 2016				
Opening net carrying amount	4,377	2,905	1,091	8,373
Additions	5,831	1,377	709	7,917
Written off/disposals	(256)	(164)	(8)	(428)
Depreciation	(2,963)	(816)	(347)	(4,126)
Closing net carrying amount	<u>6,989</u>	<u>3,302</u>	<u>1,445</u>	<u>11,736</u>
At 31 March 2016 and at 1 April 2016				
Cost	10,616	4,672	2,090	17,378
Accumulated depreciation	(3,627)	(1,370)	(645)	(5,642)
Net carrying amount	<u>6,989</u>	<u>3,302</u>	<u>1,445</u>	<u>11,736</u>
Year ended 31 March 2017				
Opening net carrying amount	6,989	3,302	1,445	11,736
Additions	7,210	2,030	1,357	10,597
Written off/disposals	–	(22)	(12)	(34)
Depreciation	(4,898)	(1,194)	(591)	(6,683)
Closing net carrying amount	<u>9,301</u>	<u>4,116</u>	<u>2,199</u>	<u>15,616</u>
At 31 March 2017 and at 1 April 2017				
Cost	17,011	6,651	3,424	27,086
Accumulated depreciation	(7,710)	(2,535)	(1,225)	(11,470)
Net carrying amount	<u>9,301</u>	<u>4,116</u>	<u>2,199</u>	<u>15,616</u>
Year ended 31 March 2018				
Opening net carrying amount	9,301	4,116	2,199	15,616
Additions	6,851	4,248	1,649	12,748
Written off/disposals	–	(358)	(81)	(439)
Depreciation	(7,113)	(1,729)	(901)	(9,743)
Closing net carrying amount	<u>9,039</u>	<u>6,277</u>	<u>2,866</u>	<u>18,182</u>
At 31 March 2018 and 1 April 2018				
Cost	23,049	10,051	4,903	38,003
Accumulated depreciation	(14,010)	(3,774)	(2,037)	(19,821)
Net carrying amount	<u>9,039</u>	<u>6,277</u>	<u>2,866</u>	<u>18,182</u>
Four months ended 31 July 2018				
Opening net carrying amount	9,039	6,277	2,866	18,182
Additions	4,176	2,063	663	6,902
Written off/disposals	(3)	(80)	(68)	(151)
Depreciation	(2,424)	(717)	(344)	(3,485)
Closing net carrying amount	<u>10,788</u>	<u>7,543</u>	<u>3,117</u>	<u>21,448</u>
At 31 July 2018				
Cost	26,362	11,849	5,469	43,680
Accumulated depreciation	(15,574)	(4,306)	(2,352)	(22,232)
Net carrying amount	<u>10,788</u>	<u>7,543</u>	<u>3,117</u>	<u>21,448</u>

16. Inventories

	As at 31 March		As at 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finished goods	63,775	92,634	100,162	123,755

17. Trade receivables

	As at 31 March		As at 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	612	1,248	4,241	1,825

Trade receivables mainly represent the outstanding amounts receivable by the Group from Octopus Cards Limited and credit card companies. The settlement terms with credit card companies and octopus card sales are usually within two business days after the date on which the sales are made. No credit term has been granted to any customers of the retail stores.

As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018, the ageing analysis of the Group's trade receivables based on invoice date is as follows:

	As at 31 March		As at 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0-30 days	584	1,239	4,177	1,807
31-60 days	7	5	30	11
61-90 days	20	2	12	–
Over 90 days	1	2	22	7
	612	1,248	4,241	1,825

As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018, the ageing analysis of the Group's trade receivables based on due date is as follows:

	As at 31 March		As at 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Neither past due nor impaired	583	1,234	4,147	1,799
Not more than 3 months past due	28	12	73	19
More than 3 months past due	1	2	21	7
	612	1,248	4,241	1,825

18. Deposits, prepayments and other receivables

	As at 31 March		As at 31 July	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2018 HK\$'000
Non-current:				
Deposits	13,114	20,088	21,067	20,242
Deposits paid for purchase of property, plant and equipment	565	142	387	423
	<u>13,679</u>	<u>20,230</u>	<u>21,454</u>	<u>20,665</u>
Current:				
Prepayments	8,495	17,932	17,412	16,957
Deposits	5,912	6,101	13,188	15,068
Other receivables	605	596	2,702	1,477
	<u>15,012</u>	<u>24,629</u>	<u>33,302</u>	<u>33,502</u>
	<u>28,691</u>	<u>44,859</u>	<u>54,756</u>	<u>54,167</u>

The balances were unsecured, interest-free and with no fixed repayment terms. The Group's deposits and other receivables were neither past due nor impaired as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018.

19. Cash and bank balances

	As at 31 March		As at 31 July	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2018 HK\$'000
Pledged bank deposits	–	5,000	10,041	5,053
Time deposits with original maturity of over three months when acquired	–	–	–	5,000
	<u>–</u>	<u>5,000</u>	<u>10,041</u>	<u>10,053</u>
Cash at banks	8,562	18,775	27,148	26,386
Cash in hand	279	468	620	641
	<u>8,841</u>	<u>19,243</u>	<u>27,768</u>	<u>27,027</u>
	<u>8,841</u>	<u>24,243</u>	<u>37,809</u>	<u>37,080</u>

The cash and bank balances are denominated in the following currencies:

	As at 31 March		As at 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollars	8,407	24,056	37,239	36,822
Renminbi	396	106	144	146
United States dollars	7	29	36	28
Euro	24	20	354	50
Other currencies	7	32	36	34
	<u>8,841</u>	<u>24,243</u>	<u>37,809</u>	<u>37,080</u>

As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018, pledged bank deposits were denominated in HK\$ and pledged as collaterals to secure bank overdrafts and borrowings and general banking facilities granted to the Group (Note 22). Pledged bank deposits carry interest at nil, 0.87%, 0.01% to 0.93% and 1.00% per annum as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018.

20. Deferred income tax

The analysis of deferred income tax (liabilities)/assets of the Group is as follows:

	As at 31 March		As at 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred income tax (liabilities)/assets to be (settled)/recovered after more than 12 months	<u>(25)</u>	<u>362</u>	<u>748</u>	<u>794</u>

Movements in deferred income tax (liabilities)/assets of the Group during the Track Record Period are as follows:

	(Accelerated)/ decelerated tax depreciation HK\$'000
As at 1 April 2015	–
Charged to the combined statements of profit or loss and other comprehensive income	<u>(25)</u>
As at 31 March 2016 and 1 April 2016	(25)
Credited to the combined statements of profit or loss and other comprehensive income	<u>387</u>
Aa at 31 March 2017 and 1 April 2017	362
Credited to the combined statements of profit or loss and other comprehensive income	<u>386</u>
As at 31 March 2018 and 1 April 2018	748
Credited to the combined statements of profit or loss and other comprehensive income	<u>46</u>
As at 31 July 2018	<u><u>794</u></u>

21. Trade payables and accruals, receipts in advance and other payables

(a) Trade payables

As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018, the ageing analysis of the Group's trade payables based on invoice date is as follows:

	As at 31 March		As at 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0-30 days	4,577	7,294	12,454	12,660
31-60 days	2,624	3,750	5,141	2,983
61-90 days	1,505	1,075	285	1,244
Over 90 days	644	80	366	636
	<u>9,350</u>	<u>12,199</u>	<u>18,246</u>	<u>17,523</u>

(b) Accruals, receipts in advance and other payables

	As at 31 March		As at 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current:				
Accruals for employee benefit expenses	4,333	6,663	12,222	10,437
Accruals for rental expenses	1,972	2,718	6,659	4,143
Accruals for logistic expenses	960	788	3,697	2,495
Contract liabilities in relation to customer loyalty programme (Note (e))	69	114	292	551
Accruals for operating and other expenses	739	787	1,072	728
Accruals for property, plant and equipment	1,708	282	50	1,077
Receipts in advance	–	15	–	–
Contract liabilities in relation to cash coupon (Notes (d) and (e))	20	18	709	383
Provision for reinstatement costs (Note (c))	515	310	965	900
	<u>10,316</u>	<u>11,695</u>	<u>25,666</u>	<u>20,714</u>
Non-current:				
Provision for reinstatement costs (Note (c))	857	1,339	1,025	1,430
Accruals for rental expenses	2,695	3,580	1,842	1,777
	<u>3,552</u>	<u>4,919</u>	<u>2,867</u>	<u>3,207</u>

(c) Provision for reinstatement costs

Movements in the provision for reinstatement costs are as follows:

	As at 31 March		As at 31 July	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2018 HK\$'000
At beginning of year/period	695	1,372	1,649	1,990
Provision for reinstatement costs	775	638	491	460
Utilisation of provision for reinstatement costs	(98)	(361)	(150)	(120)
At end of year/period	<u>1,372</u>	<u>1,649</u>	<u>1,990</u>	<u>2,330</u>

(d) Contract liabilities in relation to cash coupon

Movements in the contract liabilities in relation to cash coupon are as follows:

	As at 31 March		As at 31 July	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2018 HK\$'000
At beginning of year/period	7	20	18	709
Issued during the year/period	48	93	2,740	421
Redeemed during the year/period	(35)	(95)	(2,049)	(747)
At end of year/period	<u>20</u>	<u>18</u>	<u>709</u>	<u>383</u>

(e) Contract liabilities

The Group has recognised the following revenue related contract liabilities:

	As at 31 March		As at 31 July	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2018 HK\$'000
Contract liabilities in relation to customer loyalty programme	69	114	292	551
Contract liabilities in relation to cash coupon	<u>20</u>	<u>18</u>	<u>709</u>	<u>383</u>
	<u>89</u>	<u>132</u>	<u>1,001</u>	<u>934</u>

The contract liabilities represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of each of the Track Record Period. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the award points in relation to customer loyalty programme and the cash coupon are redeemed.

The following table shows the revenue recognised in the current reporting period related to carried-forward contract liabilities:

	Year ended		Four months ended	
	2016	2017	2018	31 July
	HK\$'000	HK\$'000	HK\$'000	2018 HK\$'000
For the year/period				
Revenue recognised that was included in the contract liabilities at beginning of year/period				
– Retailing sales	7	89	132	49
	<u>7</u>	<u>89</u>	<u>132</u>	<u>49</u>

The following table shows unsatisfied performance obligations resulting from retailing sales:

	As at 31 March		As at 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At end of year/period				
Expected to be recognised within one year	89	132	1,001	934
	<u>89</u>	<u>132</u>	<u>1,001</u>	<u>934</u>

22. Bank overdrafts and borrowings

	As at 31 March		As at 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current:				
Secured bank overdrafts				
Repayable within one year	8,909	7,408	–	3,518
Secured interest-bearing bank borrowings				
Repayable within one year	35,179	80,447	52,363	44,383
	<u>44,088</u>	<u>87,855</u>	<u>52,363</u>	<u>47,901</u>
Non-current:				
Secured interest-bearing bank borrowings				
Repayable between one and two years	–	–	3,376	9,176
Repayable between two and five years	–	–	11,816	32,116
	<u>–</u>	<u>–</u>	<u>15,192</u>	<u>41,292</u>
	<u>44,088</u>	<u>87,855</u>	<u>67,555</u>	<u>89,193</u>

Bank overdrafts and borrowings bear interest at floating interest rates. The effective interest rates of bank overdrafts and borrowings are ranging from HIBOR plus 2.5% to 3.0% per annum, HIBOR plus 2.0% to 3.0% per annum, HIBOR plus 1.4% to 2.3% per annum and HIBOR plus 1.4% to 2.0% per annum for the years ended 31 March 2016, 31 March 2017, 31 March 2018 and the four months ended 31 July 2018 respectively.

As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018, the bank overdrafts and borrowings and other banking facilities of the Group are secured by:

- (i) Pledge of bank deposits (Note 19) held by the Group with carrying amount of nil, HK\$5,000,000, HK\$10,041,000 and HK\$5,053,000 as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018 respectively;

- (ii) Certain properties owned by related companies which owned by the directors of the Company;
- (iii) A property owned by one of the directors of the Company;
- (iv) Cross guarantees by related companies; and
- (v) Personal guarantees by the directors of the Company.

The unutilised banking facilities in respect of bank overdrafts and borrowings as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018 were HK\$42,412,000, HK\$61,845,000, HK\$125,676,000 and HK\$62,196,000 respectively.

23. Amounts due to shareholders

	As at 31 March		As at 31 July	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2018 HK\$'000
Current:				
Hui Ngai Fan	4,353	10	–	–
Lin Tsz Fung	14,398	4,546	–	–
	<u>18,751</u>	<u>4,556</u>	<u>–</u>	<u>–</u>
Non-current:				
Hui Ngai Fan	5,000	5,000	–	–
Lin Tsz Fung	5,000	5,000	–	–
	<u>10,000</u>	<u>10,000</u>	<u>–</u>	<u>–</u>
	<u><u>28,751</u></u>	<u><u>14,556</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

During the Track Record Period, except for the amounts due to shareholders of HK\$10,000,000, HK\$10,000,000, nil and nil which were repayable not less than twelve months as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018 respectively, the remaining balances of the amounts due to shareholders were repayable on demand. All the amounts due to shareholders were unsecured, interest-free and non-trade in nature.

24. Share capital

	Number	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each Upon incorporation (<i>Note (a)</i>)	<u>38,000,000</u>	<u>380</u>
At 31 March 2018 and 31 July 2018	<u><u>38,000,000</u></u>	<u><u>380</u></u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each Upon incorporation (<i>Note (a)</i>)	1	–
Issue of shares pursuant to the Reorganisation (<i>Note (b)</i>)	<u>999,999</u>	<u>–</u>
At 31 March 2018 and 31 July 2018	<u><u>1,000,000</u></u>	<u><u>–</u></u>

Notes:

- (a) On 24 January 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon its incorporation, one nil-paid subscriber's ordinary share was immediately transferred to Long Ease Holdings Limited ("Long Ease").
- (b) On 24 January 2018, 999,999 nil paid ordinary shares were allotted and issued to Long Ease at par value.

25. Reserves

Details of the movements of the Group's reserves are as set out in the combined statements of changes in equity in Section I.

The following describes the nature and purpose of each reserve within owners' equity.

Reserves	Description and purpose
Other reserve	The aggregate amount of share capital of subsidiaries comprising the Group.
Retained earnings	Cumulative net gains and losses recognised in profit or loss.

26. Commitments

(a) Capital commitments

	As at 31 March		As at 31 July	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2018 HK\$'000
Commitments for property, plant and equipment:				
Contracted for but not provided	350	14	138	147

(b) Operating lease commitments

At 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018, the Group, as the lessee, had further aggregate minimum lease payments in respect of rental premises under non-cancellable operating leases as follows:

	As at 31 March		As at 31 July	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2018 HK\$'000
Not later than one year	41,810	73,972	80,998	84,790
Later than one year and not later than five years	35,441	71,580	51,459	61,246
	77,251	145,552	132,457	146,036

The above lease commitments do not include commitments for additional rentals payables, if any, when turnover of individual retail stores exceeds a pre-determined level as it is not possible to determine in advance the amount of such additional rentals.

(c) Other commitments

	As at 31 March			As at 31 July	
	2016	2017	2018	2018	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Service expenses for using the operating facilities of warehouse:					
Not later than one year	7,012	9,412	11,332	11,332	
Later than one year and not later than five years	26,338	25,967	19,900	16,113	
	<u>33,350</u>	<u>35,379</u>	<u>31,232</u>	<u>27,445</u>	

27. Related party transactions

(a) Related party transactions

Save as disclosed elsewhere in the Historical Financial Information, the Group had the following material transactions with related parties during the Track Record Period:

Name of related parties	Nature of transaction	Year ended 31 March			Four months ended 31 July	
		2016	2017	2018	2017	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Giant Fame Corporation Limited (<i>Note (i)</i>)	Rental expenses	900	900	900	300	300
United Wealth Global (HK) Limited (<i>Note (ii)</i>)	Rental expenses	–	532	660	220	220
Smart Essence Development Limited (<i>Note (iii)</i>)	Rental expenses	–	–	515	112	187
		<u>900</u>	<u>1,432</u>	<u>2,075</u>	<u>632</u>	<u>707</u>

Notes:

- (i) Giant Fame Corporation Limited is controlled by Mr. Lin Tsz Fung, one of the directors of the Company.
- (ii) Mr. Lin Tsz Fung, one of the directors of the Company, has significant influence over United Wealth Global (HK) Limited.
- (iii) Mr. Lin Tsz Fung, one of the directors of the Company, has significant influence over Smart Essence Development Limited.

(b) Compensation of key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in Note 11(a), is as follows:

	Year ended 31 March			Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000
Directors' fees	–	–	–	–	–
Salaries, allowances and benefits in kind	1,304	2,002	6,613	1,008	1,932
Contributions to defined contribution pension plans	56	75	114	35	42
	<u>1,360</u>	<u>2,077</u>	<u>6,727</u>	<u>1,043</u>	<u>1,974</u>

28. Summary of financial assets and financial liabilities by category

	As at 31 March			As at 31 July
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2018 HK\$'000
Financial assets at amortised cost				
Trade receivables	612	1,248	4,241	1,825
Deposits and other receivables	19,631	26,785	36,957	36,787
Cash and bank balances	8,841	24,243	37,809	37,080
	<u>29,084</u>	<u>52,276</u>	<u>79,007</u>	<u>75,692</u>
Financial liabilities at amortised cost				
Trade payables	9,350	12,199	18,246	17,523
Accruals and other payables	8,454	9,300	21,983	17,266
Amounts due to shareholders	28,751	14,556	–	–
Bank overdrafts and borrowings	44,088	87,855	67,555	89,193
	<u>90,643</u>	<u>123,910</u>	<u>107,784</u>	<u>123,982</u>

The directors of the Company consider the carrying value of financial instruments approximates their fair value.

29. Financial risk management

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, foreign currency risk and interest rate risk.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's maximum exposure to credit risk is the carrying amounts of cash and bank balances, and trade and other receivables. The Group has no concentration of credit risk from third party debtors.

As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018, substantially all of the Group's bank deposits were deposited with major financial institutions in Hong Kong, which management believes are of high-credit-quality without significant credit risk.

All of the Group's trade receivables and other receivables have no collateral. The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follows up the disputes or amounts overdue, if any. The directors of the Company are of the opinion that the risk of default by counterparties is low.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each Track Record Period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

(i) Trade receivables

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables is estimated by reference to past default experience of the debtor and current market condition in relation to each debtor's exposure. The ECL also incorporates forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables. To measure the ECL, the trade receivables have been grouped based on share credit risk characteristics and the days past due according to the ageing as disclosed in note 17. Expected loss rate of current trade receivables are assessed to be 0.1% as the trade receivables mainly represent amounts due from Octopus Cards Limited and credit card companies with high credit rating and no history of default. For the past due trade receivables, due to the balances were immaterial, the management of the Group considered the loss allowance provision for these balances were immaterial. There is no change in the ECL rate for trade receivables during the Track Record Period mainly due to no significant change in the historical default rates of trade receivables based on which the ECL rate is determined. The management of the Group considered the loss allowance provision for trade receivables was immaterial during the Track Record Period.

(ii) Other receivables

As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018, the management of the Group takes into account the historical default experience and forward-looking information, as appropriate, for example the Group considers the consistently low historical default rates of counterparties, and concludes that credit risk inherent in the Group's outstanding other receivables is insignificant. The management of the Group has assessed that other receivables do not have a significant increase in credit risk since initial recognition and risk of default is insignificant, therefore the ECL for these receivables were immaterial under the 12 months expected losses method and no loss allowance provision was recognised during the Track Record Period.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The management of the Group is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of business. The following table details the remaining contractual maturities at the end of each of the Track Record Period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on the current rates at the reporting date) and the earliest date the Group may be required to pay.

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>	Within 2 years to 5 years <i>HK\$'000</i>
As at 31 March 2016				
Trade payables	9,350	9,350	9,350	–
Accruals and other payables	8,454	8,454	8,454	–
Amounts due to shareholders	28,751	28,751	28,751	–
Bank overdrafts and borrowings	44,088	44,200	44,200	–
	<u>90,643</u>	<u>90,755</u>	<u>90,755</u>	<u>–</u>
As at 31 March 2017				
Trade payables	12,199	12,199	12,199	–
Accruals and other payables	9,300	9,300	9,300	–
Amounts due to shareholders	14,556	14,556	14,556	–
Bank overdrafts and borrowings	87,855	88,135	88,135	–
	<u>123,910</u>	<u>124,190</u>	<u>124,190</u>	<u>–</u>
As at 31 March 2018				
Trade payables	18,246	18,246	18,246	–
Accruals and other payables	21,983	21,983	21,983	–
Bank overdrafts and borrowings	67,555	69,337	53,123	16,214
	<u>107,784</u>	<u>109,566</u>	<u>93,352</u>	<u>16,214</u>
At 31 July 2018				
Trade payables	17,523	17,523	17,523	–
Accruals and other payables	17,266	17,266	17,266	–
Bank overdrafts and borrowings	89,193	94,037	49,873	44,164
	<u>123,982</u>	<u>128,826</u>	<u>84,662</u>	<u>44,164</u>

(c) Foreign currency risk

The Group mainly operated in Hong Kong with most of the transactions settled in HK\$ and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(d) Interest rate risk

The Group's exposure to interest rate risk relates principally to its bank deposits, pledged bank deposits and interest-bearing bank overdrafts and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The Group has not entered into any financial derivative instruments to hedge its exposure to interest rate risk. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements.

The following table details the interest rate profile of the Group's financial instruments at the end of each of the Track Record Period:

	2016		As at 31 March				As at 31 July	
			2017		2018		2018	
	<i>Effective interest rate per annum</i>	<i>HK\$'000</i>	<i>Effective interest rate per annum</i>	<i>HK\$'000</i>	<i>Effective interest rate per annum</i>	<i>HK\$'000</i>	<i>Effective interest rate per annum</i>	<i>HK\$'000</i>
Fixed-rate bank deposits	-	-	-	-	0.01%	5,000	0.01%	5,000
Floating-rate bank deposits	0.01%	863	0.87%	5,734	0.93%	8,953	1.00%	5,963
Floating-rate bank overdrafts and borrowings	2.91%	(44,088)	2.94%	(87,855)	2.74%	(67,555)	3.20%	(89,193)

Sensitivity analysis

At the respective end of each of the Track Record Period, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for each of the Track Record Period by approximately HK\$361,000, HK\$686,000, HK\$448,000 and HK\$653,000.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of each of the Track Record Period and had been applied to the exposure to interest rate risk for the bank deposits, pledged bank deposits and interest-bearing bank overdrafts and borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the next twelve months period.

The interest rate risk policies have been followed by the Group consistently throughout the Track Record Period.

30. Capital management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern and to maximise the return to stakeholders. The Group's capital structure is regularly reviewed and managed by the directors of the Company. The Group is not subject to externally imposed capital requirements. To maintain or adjust capital structure, the Group may adjust dividend payment to shareholders or issue new shares. Adjustments will be made to the capital structure in light of changes in economic conditions affecting the Company or its subsidiaries, and the risk characteristics of the Group's underlying assets.

The capital structure of the Group consists of debts, which includes the amounts due to shareholders, bank overdrafts and borrowings, cash and bank balances and equity attributable to owners of the Company, comprising share capital and reserves. The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The net debt to equity ratio at the end of each of the Track Record Period is as follows:

	As at 31 March		As at 31 July	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2018 HK\$'000
Amounts due to shareholders	28,751	14,556	–	–
Bank overdrafts and borrowings	44,088	87,855	67,555	89,193
Less: Cash and bank balances	(8,841)	(24,243)	(37,809)	(37,080)
Net debt	<u>63,998</u>	<u>78,168</u>	<u>29,746</u>	<u>52,113</u>
Equity	<u>14,441</u>	<u>39,585</u>	<u>93,184</u>	<u>98,846</u>
Net debt to equity ratio	<u>443%</u>	<u>197%</u>	<u>32%</u>	<u>53%</u>

31. Financial guarantees

As at 31 March 2016 and 31 March 2017, the Group had executed cross guarantees with related companies for certain shared banking facilities. As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018, banking facilities of approximately HK\$178,681,000, HK\$446,585,000, nil and nil were utilised by the related companies, respectively.

The directors of the Company had conducted an assessment on the fair values of the financial guarantee provided to the related companies on the date of the guarantee and each reporting date in accordance with the Group's accounting policy as stated in Note 4.15 and concluded that the estimated amount that would be payable to those banks for assuming the obligations at initial recognition and as at 31 March 2016 and 31 March 2017 was minimal. Accordingly, no provision was made during the Track Record Period.

The cross guarantees were released on 28 March 2018.

32. Notes to the combined statements of cash flows

Reconciliation of liabilities arising from financing activities:

Year ended 31 March 2016	As at 1 April 2015 HK\$'000	Financing cash flow HK\$'000	Non-cash changes	As at 31 March 2016 HK\$'000
			Interest expenses HK\$'000	
Amounts due to shareholders	28,346	405	–	28,751
Bank overdrafts and borrowings	30,879	13,209	–	44,088
	<u>59,225</u>	<u>13,614</u>	<u>–</u>	<u>72,839</u>
Year ended 31 March 2017	As at 1 April 2016 HK\$'000	Financing cash flow HK\$'000	Non-cash changes	As at 31 March 2017 HK\$'000
			Interest expenses HK\$'000	
Amounts due to shareholders	28,751	(14,195)	–	14,556
Bank overdrafts and borrowings	44,088	43,767	–	87,855
Other payables	–	(2,530)	2,641	111
	<u>72,839</u>	<u>27,042</u>	<u>2,641</u>	<u>102,522</u>

Year ended 31 March 2018	As at 1 April 2017 HK\$'000	Financing cash flow HK\$'000	Non-cash changes	
			Interest expenses HK\$'000	As at 31 March 2018 HK\$'000
Amounts due to shareholders	14,556	(14,556)	–	–
Bank overdrafts and borrowings	87,855	(20,300)	–	67,555
Other payables	111	(3,289)	3,244	66
	<u>102,522</u>	<u>(38,145)</u>	<u>3,244</u>	<u>67,621</u>
Four months ended 31 July 2018	As at 1 April 2018 HK\$'000	Financing cash flow HK\$'000	Non-cash changes	
			Interest expenses HK\$'000	As at 31 July 2018 HK\$'000
Bank overdrafts and borrowings	67,555	21,638	–	89,193
Other payables	66	(803)	893	156
	<u>67,621</u>	<u>20,835</u>	<u>893</u>	<u>89,349</u>
Four months ended 31 July 2017 (unaudited)	As at 1 April 2017 HK\$'000	Financing cash flow HK\$'000	Non-cash changes	
			Interest expenses HK\$'000	As at 31 July 2017 HK\$'000
Amounts due to shareholders	14,556	240	–	14,796
Bank overdrafts and borrowings	87,855	38,178	–	126,033
Other payables	111	(907)	946	150
	<u>102,522</u>	<u>37,511</u>	<u>946</u>	<u>140,979</u>

33. Events after the reporting period

Save as disclosed in this report, subsequent to 31 July 2018, the following significant events took place:

Pursuant to the memorandum of resolutions of directors of Quality Food 360° dated on 14 December 2018, a cash dividend of HK\$20,000,000 was declared to its then shareholders. The rate of dividend and the number of shares are not presented as such information is not considered meaningful for the purpose of this report.

On 15 December 2018, the Reorganisation as detailed in the section “History, Reorganisation and Corporate Structure” in the prospectus was duly completed.

The allotment and issue of 748,000,000 new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as described in the section headed “Statutory and General Information” in Appendix IV to the prospectus.

The Company has conditionally adopted the Share Option Scheme on 18 December 2018. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed “Statutory and General Information – Other Information – 1. Share option scheme” in Appendix IV to the prospectus.

In December 2018, the Group drew down a secured bank borrowing of HK\$13,000,000 which bears interest at a floating rate of HIBOR plus 2% per annum and is repayable in February 2019.

34. Subsequent financial statements

No audited financial statements have been prepared by the Company or any of its subsidiaries now comprising the Group in respect of any period subsequent to 31 July 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report from BDO Limited, Certified Public Accountants, Hong Kong, the independent reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountants' Report" set forth in Appendix I to this prospectus.

The unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Listing Rules is set forth below to provide the prospective investors with further information on how the Share Offer might have affected the net tangible assets of the Group attributable to the owners of the Company after the completion of the Share Offer.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted combined net tangible assets of the Group, prepared on the basis of the notes set out below, for the purpose of illustrating the effect of the Share Offer on the combined net tangible assets of the Group attributable to the owners of the Company as if the Share Offer had taken place on 31 July 2018. This unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to the owners of the Company had the Share Offer been completed on 31 July 2018 or at any future dates.

	Combined net tangible assets attributable to the owners of the Company as at 31 July 2018 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company per Share <i>HK\$</i> <i>(Note 3)</i>
Based on the Offer Price of HK\$1.0 per share	98,846	219,776	318,622	0.32
Based on the Offer Price of HK\$1.2 per share	98,846	267,276	366,122	0.37

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The combined net tangible assets attributable to the owners of the Company as at 31 July 2018 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 250,000,000 Offer Shares at the Offer Price of HK\$1.0 per Offer Share and HK\$1.2 per Offer Share, after deduction of the underwriting fees and remaining related expenses payable by the Company in connection with the Share Offer.
- (3) The unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share is calculated based on 1,000,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue. It does not take into account any Shares which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 July 2018. In particular, the unaudited pro forma adjusted combined net tangible assets per Share has not taken into account a cash dividend of HK\$20,000,000 declared pursuant to the memorandum of resolutions of directors of Quality Food 360° dated on 14 December 2018. The unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share would have been HK\$0.30 and HK\$0.35 per Share based on the Offer Price of HK\$1.0 and HK\$1.2 per Offer Share, respectively, if such cash dividend had been accounted for.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
 COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.



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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the directors of Best Mart 360 Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Best Mart 360 Holdings Limited (the “Company”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of combined net tangible assets of the Company as at 31 July 2018 and related notes as set out on pages II-1 to II-2 of Appendix II of the Company’s prospectus dated 28 December 2018 (the “Prospectus”) in connection with the proposed initial public offering of the shares of the Company (the “Share Offer”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Share Offer on the Company’s combined financial position as at 31 July 2018 as if the Share Offer had taken place at 31 July 2018. As part of this process, information about the Company’s combined financial position has been extracted by the directors of the Company from the Company’s financial information for the four months ended 31 July 2018, on which an accountants’ report set out in Appendix I of the Prospectus has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Share Offer at 31 July 2018 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited

Certified Public Accountants

Hong Kong

28 December 2018

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 January, 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). Our Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 18 December, 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than

at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

Our Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

(v) *Power of our Company to purchase its own shares*

Our Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors**(i) *Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to our Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if our Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/ are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and our Company's name

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) *Special and ordinary resolutions*

A special resolution of our Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

Our Company must hold an annual general meeting of our Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers; and
 - (ee) the fixing of the remuneration of the directors and of the auditors.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

- (ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot

purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, our Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 16 February, 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of our Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 24 January 2018. The registered address of our Company is at the offices of Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our principal place of business is 14th Floor, SML Tower, 165 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong and we have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 6 June 2018. Mr Lin and Ms Hui, both of which are executive Directors of our Company, have been appointed as the authorised representatives of our Company in Hong Kong for the acceptance of service of process in Hong Kong. The address for service of process of our Company in Hong Kong is our principal place of business, i.e. 14th Floor, SML Tower, 165 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

Our Company was incorporated in the Cayman Islands and is subject to the relevant laws of the Cayman Islands. Our constitution comprises the Memorandum of Association and the Articles of Association. A summary of certain relevant parts of our constitution and relevant aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) Our Company was incorporated on 24 January 2018. As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Upon incorporation, one subscriber's Share of HK\$0.01 was allotted and issued to the initial subscriber nil paid which was immediately transferred to Long Ease. On the same day, 999,999 Shares of HK\$0.01 each were allotted and issued nil paid by our Company to Long Ease. All such shares were subsequently paid up in the manner described in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus.
- (b) Pursuant to the written resolutions of all shareholders of our Company passed on 18 December 2018, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each by the creation of additional 9,962,000,000 Shares.
- (c) Immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 1,000,000,000 Shares will be allotted and issued fully paid or credited as fully paid and 9,000,000,000 Shares will remain unissued.

- (d) Other than the allotment and issue of Shares pursuant to the exercise of any options that may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without the prior approval of the members in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in the paragraphs headed “Further information about our Company and our subsidiaries – 3. Written resolutions of all Shareholders of our Company passed on 18 December 2018” and “ Further information about our Company and our subsidiaries – 4. Corporate reorganisation” of this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of all Shareholders of our Company passed on 18 December 2018

Pursuant to the written resolutions passed by all shareholders of our Company on 18 December 2018:

- (a) our Company conditionally approved and adopted the Memorandum of Association with effect from Listing;
- (b) our Company conditionally approved and adopted the Articles of Association with effect from Listing;
- (c) the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of 9,962,000,000 new Shares;
- (d) conditional on the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus; the Offer Price having been determined; the execution and delivery of the Underwriting Agreements; and the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus;
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Other Information – 1. Share Option Scheme” of this Appendix were approved and adopted, and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary or desirable or expedient to implement the Share Option Scheme;

- (iii) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to Share Offer, our Directors were authorised to capitalise HK\$7,480,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 748,000,000 Shares for allotment and issue to holder(s) of Shares whose name(s) appear(s) on the register of members of our Company at the close of business on 18 December 2018 (or as it/they may direct) in proportion (as nearly as possible without involving fractions) to the then existing shareholdings of such holder(s) of Shares in our Company and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares (other than the right to participate in the Capitalisation Issue) and our Directors be and they are thereby authorised to give effect to the Capitalisation Issue;
- (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with unissued Shares in the capital of our Company and to make or grant offers, agreements and options which may require the exercise of such powers, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Share Offer or under the Capitalisation Issue, an aggregate number of Shares not exceeding the sum of (aa) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offers (but excluding any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme), and (bb) the aggregate number of Shares which may be purchased by our Company pursuant to the authority granted to the Directors as referred to in subparagraph (v) below, until the conclusion of our next annual general meeting, or at the expiration of the period within which our next annual general meeting of our Company is required by the Articles of Association, or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting of our Company revoking or varying the authority given to our Directors, whichever is the earliest;
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose with an aggregate number of Shares not exceeding 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (but excluding any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme) until the conclusion of our next annual general meeting, or at the expiration of the period within which our next annual general meeting is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting of our Company revoking or varying the authority given to our Directors, whichever is the earliest;

- (vi) the extension of the general mandate to allot, issue and deal with Shares to include the number of Shares which may be purchased or repurchased pursuant to paragraph (v) above; and
- (d) the form and substance of each of the service agreements made between each of our executive Directors and our Company and the form and substance of each of the appointment letters made between each of our independent non-executive Directors with our Company were approved.

4. Corporate reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group's structure in preparation for the Listing, details of which are set out in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus.

5. Changes in share capital of our subsidiaries

Our subsidiaries are listed in the Accountants' Report set out in Appendix I to this prospectus. Save as disclosed in the section headed "History, Reorganisation and Corporate Structure – Reorganisation", there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed by all Shareholders on 18 December 2018, the Repurchase Mandate was given to our Directors authorising any repurchase by us of Shares on the Stock Exchange or on any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer, such mandate to expire at the conclusion of our next annual general meeting, or at the expiration of the period within which our next annual general meeting is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting of our Company revoking or varying, the authority given to our Directors, whichever is the earliest.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association, the Listing Rules and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under Cayman Islands law, any repurchases by our Company may be made either (i) out of our profits; (ii) out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase; (iii) from sums standing to the credit of our share premium account; or (iv) if so authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital. Any premium payable on the repurchase of the Shares must be provided for out of the profits of our Company or from sums standing to the credit of our share premium account, or, if so authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or on our gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Group.

(c) Reasons for repurchases

Our Directors believe that it is in the best interest of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

(d) General

The exercise in full of the Repurchase Mandate on the basis of 1,000,000,000 Shares in issue immediately after the Listing, would result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Company that he or she or it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts






The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the agreement for sale and purchase dated 15 December 2018 entered into between (i) Mr. Lin and Ms. Hui (as vendors); (ii) Mr. Lin, Ms. Hui and Long Ease (as warrantors); and (iii) our Company (as purchaser), pursuant to which two shares in Quality Food 360°, being the entire issued shares in Quality Food 360°, were transferred to Best Mart BVI, in consideration of (i) the allotment and issue of 1,000,000 new Shares to Long Ease credited as fully paid; and (ii) the credit as fully paid the 1,000,000 nil paid Shares held by Long Ease on the incorporation of our Company;
- (b) the Deed of Indemnity;
- (c) the Deed of Non-competition;
- (d) the Public Offer Underwriting Agreement;

2. Intellectual property rights of our Group

(a) Registered trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks in Hong Kong:

Trademark	Registered Owner	Registration Date	Classes	Registration Number	Expiry Date
Best Mart 360°	Quality Food 360°	18 July 2013	35	302675971	17 July 2023
Best Mart 360°	Quality Food 360°	29 May 2014	29, 30, 32, 33	303013785	28 May 2024
優品360°	Quality Food 360°	18 July 2013	35	302675980	17 July 2023
優品360°	Quality Food 360°	29 May 2014	29, 30, 32, 33	303013776	28 May 2024
	Quality Food 360°	18 July 2013	35	302675953	17 July 2023
	Quality Food 360°	18 July 2013	35	302675962	17 July 2023
	Quality Food 360°	29 May 2014	29, 30, 32, 33	303013802	28 May 2024
	Quality Food 360°	12 September 2017	29, 30, 32, 33, 35	304270086	11 September 2027
	Quality Food 360°	12 September 2017	29, 30, 32, 33, 35	304270086	11 September 2027
優品360° BESTMART	Quality Food 360°	19 January 2018	35	304404555	18 January 2028
KALBARRI	Quality Food 360°	6 June 2016	29, 30, 35	303797399	5 June 2026

Nature Melody	Quality Food 360°	2 November 2017	3, 35	304322628	1 November 2027
Familie	Quality Food 360°	1 December 2017	29,35	304354001	30 November 2027
TOZA	Quality Food 360°	27 December 2017	16, 24, 35	304380345	26 December 2027
PANDO	Quality Food 360°	29 January 2018	29, 30, 32, 35	304413410	28 January 2028
Ome	Quality Food 360°	27 December 2017	16, 35	304380336AA	26 December 2027

(b) *Trademarks under application*

As at the Latest Practicable Date, our Group was in the course of applying for the registration of the following trademarks in Hong Kong:

Trademark	Applicant	Classes	Application Number	Date of Application
優之選	Quality Food 360°	29, 30, 32, 35	304755529	Application submitted on 3 December 2018
天味	Quality Food 360°	29, 30, 32, 35	304755510	Application submitted on 3 December 2018

As at the Latest Practicable Date, our Group was the registered owner of the following trademarks in the PRC:

Trademark	Registered Owner	Registration Date	Classes	Registration Number	Expiry Date
	Quality Food 360°	21 November 2016	30	17969519	20 November 2026
	Quality Food 360°	21 November 2016	35	17969645	20 November 2026
	Ciao International	21 May 2017	35	18157688	20 May 2027
	Quality Food 360°	14 March 2018	35	23045665	13 March 2028
	Quality Food 360°	14 March 2018	30	23045666	13 March 2028
	Quality Food 360°	7 August 2014	29	12200713	6 August 2024

(c) *Domain names*

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain Name	Registrant	Registration Date	Expiry Date
bestmart360.com	Ciao International	14 March 2014	14 March 2023
優品360.com	Ciao International	14 March 2014	14 March 2023
ciaohk.com	Ciao International	19 November 2012	19 November 2023
BESTMART360.COM.HK	Ciao International	5 March 2014	20 March 2023
bs360.com.hk	Ciao International	5 March 2014	20 March 2023

Note: the contents of the above websites do not form part of this prospectus.

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Interests and/or short positions of our Directors and chief executive in our Shares or the shares of our associated corporation

Immediately following completion of the Share Offer and the Capitalisation Issue (assuming the options which may be granted under the Share Option Scheme are not exercised), the interests and short positions of our Directors and chief executive officer of our Company in our Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO to be entered in the register referred to therein once our Shares are listed, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules once our Shares are listed, will be as follows:

(i) Long position in our Shares

Name of Director	Nature of interests	Class and number of securities held <i>(Note 1)</i>	Approximate percentage of shareholding immediately upon completion of the Share Offer
Mr. Lin <i>(Note 2)</i>	Interest in controlled corporation	750,000,000 Ordinary Shares (L)	75%
Ms. Hui <i>(Note 2)</i>	Interest of controlled corporation	750,000,000 Ordinary Shares (L)	75%

Notes:

- The letter "L" denotes the person's long position in the securities.
- These 750,000,000 Shares will be directly held by Long Ease upon completion of the Share Offer. As Long Ease is beneficially owned as to 50% by Mr. Lin and as to 50% by Ms. Hui, each of Mr. Lin and Ms. Hui is deemed to be interested in the 750,000,000 Shares held by Long Ease under the SFO.

(ii) Long position in the shares of our associated corporation

Name of Director	Name of associated corporation	Nature of interests	Class and number of securities held	Approximate percentage of shareholding in associated corporation immediately upon completion of the Share Offer
Mr. Lin	Long Ease	Beneficial Owner	500 ordinary shares	50%
Ms. Hui	Long Ease	Beneficial Owner	500 ordinary shares	50%

*(b) Particulars of Directors' service agreements and letters of appointment**(i) Executive Directors*

Each of Mr. Lin and Ms. Hui, being our executive Directors, has entered into a service agreement with our Company pursuant to which each of them agreed to act as an executive Director for an initial term of three years commencing from the Listing Date. The term of the service agreement shall be renewed and extended automatically for successive terms of one year upon the expiry of the then current term until terminated by not less than six months' notice in writing served by either party on the other.

During the term of the service agreement, each of our two executive Directors is entitled to the respective basic salary set out below (subject to an annual review by the remuneration committee of the Board during the term). In addition, each of our executive Directors is also entitled to a discretionary management bonus in respect of each financial year of our Company in an amount to be determined by our Board in its absolute discretion provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of our Company may not exceed 10% of the audited consolidated or combined net profit attributable to the shareholders of our Company (after taxation and minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of the Board regarding the amount of management bonus payable to him/her.

The current basic annual salaries of our executive Directors provided under the service agreements are as follows:

Name of executive Director	Annual salary <i>HK\$'000</i>
Mr. Lin	HK\$360
Ms. Hui	HK\$360

(ii) *Independent non-executive Directors*

Each of Mr. Sze Irons, Ms. Choy So Yuk and Mr. Lee Ka Lun, being all the independent non-executive Directors, has entered into a letter of appointment with our Company pursuant to which each of them agreed to act as an independent non-executive Director of our Company for an initial term of three years commencing from the Listing Date.

The term of the letter of appointment shall be renewed and extended automatically for successive terms of one year upon the expiry of the then current term until terminated by not less than three months' notice in writing served by either party on the other. Each of the independent non-executive Directors is entitled to a directors' fees of HK\$240,000 per annum during the term of appointment.

Save for the annual directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding his or her office as an independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) *Remuneration of Directors*

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the financial year ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018 were approximately nil, nil, HK\$300,000 and HK\$120,000 respectively;
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary management bonus) payable by our Group to, and benefits in kind receivable by our Directors (including independent non-executive Directors) for the year ending 31 March 2019, are estimated to be approximately HK\$0.9 million.
- (iii) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the years ended 31 March 2016, 2017 and 2018.

2. Substantial Shareholders

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (assuming the options which may be granted under the Share Option Scheme are not exercised), the following persons (not being a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed “Interests and/or short positions of our Directors and chief executive in our Shares or the shares of our associated corporations” above) will have interests or short positions in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who will, directly or indirectly, be interested in 10% or more of the issued voting shares of our Company or any other member of our Group:

Name of Shareholder	Company concerned	Nature of interests	Class and number of securities held	Approximate percentage of shareholding upon completion of the Share Offer
Long Ease (<i>Note 1</i>)	Our Company	Beneficial owner	750,000,000 ordinary shares (L)	75%
Lee Wai Bing (<i>Note 2</i>)	Our Company	Interest of spouse	750,000,000 ordinary shares (L)	75%

Notes

1. Our Company will be owned as to 75% by Long Ease immediately upon completion of the Share Offer. Long Ease is legally and beneficially owned as to 50% by Mr. Lin and as to 50% by Ms. Hui. Under the SFO, each of Mr. Lin and Ms. Hui is deemed to be interested in the same number of Shares held by Long Ease.
2. Ms. Lee Wai Bing is the spouse of Mr. Lin. Under the SFO, Ms. Lee is deemed to be interested in the same number of Shares in which Mr. Lin is interested.

OTHERS

(a) Agency fees or commission

Save as disclosed in this prospectus, within the three years preceding the date of this prospectus, no commission (excluding commission to sub-underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscription, for any Shares in, or debentures of, our Company has been paid nor is payable.

(b) Related parties transactions

Save as disclosed in Note 27 of the Accountants' Report, the text of which is set out in Appendix I to this prospectus, we have not been engaged in any other material related party transactions during the two years immediately preceding the date of this prospectus.

(c) Disclaimers

Save as disclosed in this prospectus:

- (i) taking no account of any Shares which may be taken up under the Share Offer and Shares falling to be allotted and issued upon exercise of any option which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Share Offer and the Capitalisation Issue, will have an interest or short position in our Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (ii) taking no account of any Shares which may be taken up under the Share Offer, none of the Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, once the Shares are listed;
- (iii) none of the Directors or any of the experts named in paragraph headed “Other Information – 7. Qualification of experts” of this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to or by, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for the Shares either in his own name or in the name of a nominee;
- (iv) save in connection with the material contracts referred to in the paragraph headed “Further information about the business of our Group – 1. Summary of material contracts” and the paragraph headed “Further information about our Directors and Substantial Shareholders – 1. Directors – (b) Particulars of Directors’ service agreements and letters of appointment”, none of the Director or any of the experts named in paragraph headed “Other Information – 7. Qualification of experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (v) save in connection with the Underwriting Agreements, none of the experts named in paragraph headed “Other Information – 7. Qualification of experts” of this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group or is in employment as an officer or servant of our Group;

- (vi) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any members of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);
- (vii) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of our Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Share Offer or related transaction as mentioned in this prospectus; and
- (viii) none of our Directors, their respective close associates (as defined in the Listing Rules) or shareholders of our Company who are interested in 5% or more of the issued share capital of our Company so far as is known to our Directors have any interests in the five largest customers or suppliers of our Group.

OTHER INFORMATION

1. Share Option Scheme

Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions passed by all Shareholders of our Company passed on 18 December 2018:

(a) *Purpose of the scheme*

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group.

(b) *Who may join*

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants (“**Eligible Participants**”), to take up options to subscribe for Shares:

- (i) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries (“**Subsidiaries**”) or any entity (“**Invested Entity**”) in which our Group holds an equity interest (“**Eligible Employee**”);
- (ii) any directors (including independent non-executive directors of our Company), any Subsidiary or any Invested Entity;
- (iii) any supplier of goods or services to any member of our Group or any Invested Entity;

- (iv) any customer of any member of our Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more Eligible Participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless our Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the Eligible Participants to the grant of options shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

(c) *Maximum number of Shares*

- (i) The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group shall not exceed 10% of the Shares in issue from time to time.
- (ii) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the day on which dealings in the Shares first commence on the Stock Exchange (i.e. not exceeding 100,000,000 Shares) (the "**General Scheme Limit**"), provided that:
 - (aa) Subject to paragraph (i) above and without prejudice to paragraph (bb) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option Scheme of our Group must not exceed 30% of the Shares in issue as at

the date of approval of the limit, and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

- (bb) Subject to paragraph (i) above and without prejudice to paragraph (aa) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in paragraph (aa) above to Eligible Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(d) Maximum entitlement of each participant

Subject to paragraph (e)(ii) below, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the Shares in issue for the time being ("**Individual Limit**"). Where any further grant of options to a grantee under the Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of our Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. Our Company must send a circular to our Shareholders and the circular must disclose the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under the Listing Rules.

(e) *Grant of options to connected persons*

- (i) Without prejudice to paragraph (ii) below, any grant of options under the Share Option Scheme to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed grantee of the option).
- (ii) Without prejudice to paragraph (i) above, where any grant of options to a Substantial Shareholder or an independent non-executive Director of our Company or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (aa) representing in aggregate over 0.1% of the Shares in issue; and
 - (bb) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by our Shareholders in general meeting. Our Company must send a circular to our Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting. Any change in the terms of options granted to a Substantial Shareholder or an independent non-executive Director of our Company or any of their respective associates must be approved by our Shareholders in general meeting.

(f) *Time of acceptance and exercise of option*

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on the date on which the offer for the grant of option is made but shall end in any event not later than 10 years from the date on which the offer for the grant of option is made subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(g) *Performance targets*

Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(h) *Subscription price for Shares and consideration for the option*

The subscription price per Share under the Share Option Scheme shall be determined at the absolute discretion of our Directors, provided that it shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the offer for the grant of option is made, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date on which the offer for the grant of option is made; and (iii) the nominal value of the Shares.

A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

(i) *Ranking of Shares*

- (i) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.
- (ii) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary share capital of our Company of such nominal amount as shall result from a sub-division, consolidation, re-classification, reduction or re-construction of the share capital of our Company from time to time.

(j) *Restrictions on the time of grant of options*

Our Company may not make any offer for grant of options after inside information has come to our knowledge until our Company has announced the information. In particular, our Company may not make any offer during the period commencing one month immediately before the earlier of (i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to announce our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement.

Our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(k) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(l) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (n) below before exercising his option in full, the option (to the extent not already exercised) shall lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(m) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(n) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent and serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(o) *Rights on breach of contract*

If our Directors shall at their absolute discretion determine that (i) the grantee of any option (other than an Eligible Employee) or his close associates (or his associates if the grantee is a connected person) has committed any breach of any contract entered into between the grantee or his close associate on the one part and our Group or any Invested Entity on the other part; or (ii) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (iii) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever, then the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (i), (ii) or (iii) above.

(p) *Rights on a general offer, a compromise or arrangement*

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders of our Company. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to our Shareholders, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(q) *Rights on winding up*

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(r) *Grantee being a company wholly owned by Eligible Participants*

If the grantee is a company wholly owned by one or more Eligible Participants:

- (i) sub-paragraphs (l), (m), (n) and (o) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (l), (m), (n) and (o) shall occur with respect to the relevant Eligible Participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(s) *Adjustments to the subscription price*

In the event of a rights issue, subdivision or consolidation of Shares or reduction of the share capital of our Company or otherwise howsoever but shall not in any event exceed the limits imposed by the Listing Rules whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subscription price of any option, and/or (unless the relevant grantee elects to waive such adjustment) the number of Shares consisted in an option or which remains consisted in an option, provided that (i) any adjustments shall give a grantee the same proportion of the issued Share for which he would have been entitled subscribe had he exercised the options held by him immediately prior to such adjustment; (ii) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any adjustment. In addition, in respect of any such adjustments, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange.

(t) *Cancellation of options*

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of our Directors. When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by our Shareholders pursuant to sub-paragraphs (c) (ii) (aa) and (bb) above.

(u) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme and Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Rights are personal to the grantee*

An option is personal to the grantee and shall not be transferable or assignable.

2. Estate duty, tax and other indemnities

Long Ease, Mr. Lin and Ms. Hui (collectively, the “**Indemnifiers**”), have entered into the Deed of Indemnity in favour of our Company (for ourselves and as trustee for each of our subsidiaries stated therein).

Pursuant to the Deed of Indemnity, the Indemnifiers have agreed to jointly and severally indemnify each of the members of our Group in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of section 35 and section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of our Group on or before the date on which the Share Offer becomes unconditional (the “**Effective Date**”);
- (b) taxation which might fall on us in respect of any income, profits or gains earned, accrued or received on or before the Effective Date, subject to certain exceptions set out below;
- (c) any and all expenses, payments, sums, outgoings, fees, demands, claims, actions, proceedings, judgments, damages, losses, costs (including but not limited to legal and other professional costs), charges, contributions, liabilities, fines, penalties (collectively the “**Costs**”) in connection with any failure, delay or defects of non-compliance under, or any breach of any provision of, all applicable laws, rules or regulations by any member of our Group on or before the Effective Date;
- (d) any losses, damages, costs and expenses sustained by our Group as a result of the lack of relevant mortgagee’s consent for certain leases of our Group entered into before the Effective Date;
- (e) all liabilities and penalties which may arise as a result of any outstanding and potential litigations and claims of our Group on or before the Effective Date; and
- (f) losses and costs incurred by our Group in relation to the unreleased Building Order and the Warning Notice.

The Indemnifiers will, however, not be liable in respect of any taxation referred to in paragraph (b) above:

- (i) to the extent that provision or reserve has been made for such taxation in the audited accounts of our Group for the Track Record Period and to the extent that such taxation is incurred or accrued since 1 August 2018 which arises in our ordinary course of business; or
- (ii) to the extent that a claim or liability for such taxation falls on us in respect of the accounting period commencing on or after 1 August 2018 unless such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by the Indemnifiers or us otherwise than in the ordinary course of business or in the ordinary course of acquiring or disposing of capital assets, before the Effective Date; or
- (iii) to the extent that a claim or liability for such taxation would not have arisen but for a voluntary act or transaction carried out or effected (other than pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity) by us after the date of the Deed of Indemnity; or
- (iv) to the extent that a claim or liability for such taxation arises as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by any relevant authority coming into force after the date of the Deed of Indemnity or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or
- (v) to the extent of any provision or reserve made for taxation in the audited accounts of our Group up to the three financial years ended 31 March 2018 and the four months ended 31 July 2018 and which is finally established to be an over-provision or an excessive reserve.

3. Litigation

As at the Latest Practicable Date, save as disclosed in the paragraph headed “Business – Legal Proceedings and Potential Claims” in this prospectus, neither our Company nor any of its subsidiaries is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against our Company or any of its subsidiaries that would have a material adverse effect on the results of operations or financial condition of our Group.

4. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme). The Sole Sponsor is independent of our Company in accordance with Rule 3A.07 of the Listing Rules.

The Sole Sponsor will be paid by our Company a total fee of HK\$6.3 million to act as the sponsor to our Company in connection with the Listing.

5. Preliminary expenses

The estimated preliminary expenses of our Company are approximately HK\$89,000 and are payable by our Company.

6. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoters of our Company in connection with the Share Offer or the related transactions described in this prospectus.

7. Qualification of experts

The qualification of the experts who have given opinions or advice in this prospectus are as follows:

Name	Qualification
Lego Corporate Finance Limited	a corporation licenced to carry out type 6 (advising on corporate finance) regulated activity under the SFO
BDO Limited	Certified Public Accountants
BDO Financial Services Limited	Internal control consultant
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Frost & Sullivan Limited	Independent industry consultant
Grant Sherman Appraisal Limited	Independent property valuer
Ms. Winnie Tam S.C. and Mr. Ling Chun Wai	Barristers-at-law of Hong Kong
Mr. Poon Kai Kit, Joe	Authorised Person

8. Consent of experts

Each of the experts named in the paragraph headed “Other information – 7. Qualification of experts of this Appendix” has given and has not withdrawn its written consents to the issue of this prospectus with the inclusion of its report, letter, valuation, opinion or summaries of opinion (as the case may be) and the references to its name included herein in the form and context in which they respectively appear.

None of the experts named in the paragraph headed “Other information – 7. Qualification of experts of this Appendix” has any shareholding interest in any member of our Group and the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

10. Taxation of holder of Shares**(a) Hong Kong**

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred.

Profit from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(c) Professional tax advice recommended

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasized that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

11. No material adverse change

Our Directors confirm that save as disclosed in the sections headed “Summary”, “Risk Factors” and “Financial Information”, there has been no material adverse change in the financial position or prospects of our Group since 31 July 2018 (being the date to which the latest audited financial statements of our Group were made up).

12. Share registers

The principal register of members of our Company is maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the branch register of members of our Company is maintained in Hong Kong by Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong. Unless our Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with, and registered by, our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

13. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (iii) no commission has been paid or payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscription, for any share in our Company or our subsidiaries.
- (b) No share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (c) Our Company has no founder shares, management shares or deferred shares.
- (d) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

- (e) No securities of our Group are listed, and no listing of any such securities is proposed to be sought, on any other stock exchange.
- (f) There is no arrangement under which future dividends of our Company are waived or agreed to be waived.
- (g) There are no procedures for the exercise of any right of exemption of the transfer of subscription rights.
- (h) There are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business.
- (i) Our Group does not have any outstanding convertible debt securities or debentures.
- (j) None of the debt and equity securities of the companies comprising our Group is presently listed on any stock exchange or traded on any trading system.
- (k) All necessary arrangements have been made to enable the Shares to be admitted to CCASS.

14. Bilingual document

The English language and Chinese language version of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration include:

- (a) a copy of each of the **WHITE** and **YELLOW** Application Forms;
- (b) the written consents referred to in “Statutory and General Information – Other information – 8. Consent of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in “Statutory and General Information – Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Tracy Ong & Co. at 3908A, 39th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles;
- (b) the Accountants’ Report issued by BDO Limited, in respect of the historical financial information for the three years ended 31 March 2018 and the four months ended 31 July 2018, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group issued by BDO Limited, the text of which is set out in Appendix II to this prospectus;
- (d) the audited combined financial statements of our Group for the years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018;
- (e) the letter of advice prepared by Conyers Dill & Pearman, summarising certain aspects of Cayman Islands Companies law, as referred to in Appendix III to this prospectus;
- (f) the Hong Kong legal opinion issued by Ms. Winnie Tam S. C. and Mr. Ling Chun Wai, the barristers-at-law;
- (g) the Cayman Islands Companies Law;
- (h) the industry report prepared by Frost & Sullivan referred to in “Industry Overview”;
- (i) the rental appraisal reports prepared by Grant Sherman Appraisal Limited in relation to the properties leased from our connected persons;

- (j) the investigation reports prepared by Mr. Poon Kai Kit, Joe, the authorised person registered under the Buildings Ordinance;
- (k) the internal control report prepared by BDO Financial Services Limited;
- (l) the service agreements and appointment letters referred to in “Statutory and General Information – Further Information about our Directors and Substantial Shareholders – (b) Particulars of Directors’ service agreements and letters of appointment” in Appendix IV to this prospectus;
- (m) the rules of the Share Option Scheme;
- (n) the material contracts referred to in “Statutory and General Information — Further Information about the Business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (o) the written consents referred to in “Statutory and General Information – Other information – 8. Consent of experts” in Appendix IV to this prospectus.



Best Mart 360 Holdings Limited
優品360控股有限公司