

Shineroad International Holdings Limited
欣融國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code : 1587

SHARE OFFER



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Sole Sponsor



信達國際
CINDA INTERNATIONAL

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.



Shineroad International Holdings Limited

欣融國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	: 170,000,000 Shares
Number of Placing Shares	: 153,000,000 Shares (subject to reallocation)
Number of Public Offer Shares	: 17,000,000 Shares (subject to reallocation)
Offer Price	: HK\$0.75 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 1587

Sole Sponsor



Joint Bookrunners and Joint 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, with the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The SFC and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

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

Prospective investors of the Public Offer Shares should note that the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe, and to procure subscribers to subscribe for, the Public Offer Shares, are subject to termination by the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

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, sold, pledged or transferred within the United States or to, or for the account or benefit of US persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the U.S. Securities Act.

EXPECTED TIMETABLE⁽¹⁾

Our Company will issue an announcement in Hong Kong to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.shineroad.com if there is any change in the following expected timetable of the Public Offer.

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at www.hkeipo.hk⁽²⁾ 11:30 a.m. on Wednesday, 20 June 2018

Application lists of the Public Offer open⁽³⁾ 11:45 a.m. on Wednesday, 20 June 2018

Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC⁽⁴⁾ 12:00 noon on Wednesday, 20 June 2018

Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) 12:00 noon on Wednesday, 20 June 2018

Application lists of the Public Offer close⁽³⁾ 12:00 noon on Wednesday, 20 June 2018

Announcement of the indication of levels of interest in the Placing, the level of applications in respect of the Public Offer and the basis of allotment of the Public Offer Shares under the Public Offer to be published on the website of our Company at www.shineroad.com⁽⁶⁾ and on the website of the Stock Exchange at www.hkexnews.hk on or before Tuesday, 26 June 2018

Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for the Public Offer Shares" from Tuesday, 26 June 2018

Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID Number/Business Registration Number" function from Tuesday, 26 June 2018

EXPECTED TIMETABLE⁽¹⁾

Despatch/Collection of Share certificates or deposit
of the Share certificates into CCASS in respect of
wholly or partially successful applications pursuant to
the Public Offer on or before⁽⁷⁾⁽⁸⁾ Tuesday, 26 June 2018

Despatch/Collection of **HK eIPO White Form** e-Auto
Refund payment instructions/refund cheques in respect of
wholly or partially unsuccessful applications pursuant to
the Public Offer on or before⁽⁸⁾⁽⁹⁾ Tuesday, 26 June 2018

Dealings in Shares on the Main Board
expected to commence at 9:00 a.m. on Wednesday, 27 June 2018

Notes:

- (1) All dates and times refer to Hong Kong local dates and 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. If there is any change in this expected timetable, an announcement will be published on the website of our Company at www.shineroad.com and the website of the Stock Exchange at www.hkexnews.hk.
- (2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) 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 Wednesday, 20 June 2018, the application lists will not open or close on that day. Please see “How to Apply for the Public Offer Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus. If the application lists do not open and close on Wednesday, 20 June 2018, the dates mentioned in this section headed “Expected Timetable” may be affected. We will make a press announcement in such event.
- (4) Applicants who apply for the Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for the Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (5) None of the Company’s website or any information contained on the Company’s website forms part of this prospectus.
- (6) Share certificates for the Public Offer Shares are expected to be issued on Tuesday, 26 June 2018 but will only become valid certificates of title provided that (i) the Share Offer has become unconditional in all respects, and (ii) the right of termination described in the section headed “Underwriting — Underwriting arrangements and expenses — The Public Offer underwriting arrangements — Grounds for termination” in this prospectus has not been exercised and has lapsed on or before 8:00 a.m. on the Listing Date. Investors who trade the Public Offer Shares on the basis of publicly available allocation details before the receipt of their Share certificates or before the Share certificates becoming valid certificates of title do so entirely at their own risk.
- (7) Applicants who apply for 1,000,000 or more Public Offer Shares and have provided all information required in their Application Forms that they may collect Share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 26 June 2018 or

EXPECTED TIMETABLE⁽¹⁾

any other date notified by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to Apply for the Public Offer Shares — 14. Despatch/Collection of Share certificates and refund monies" in this prospectus.

- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in "How to Apply for the Public Offer Shares" in this prospectus.

Applicants who apply through the **HK eIPO White Form** service and paid their application monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Services Provider, in the form of refund cheques, by ordinary post at their own risk.

Share certificates will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

Particulars of the structure of the Share Offer, including the conditions thereto, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. Details relating to how to apply for the Public Offer Shares are set out in the section headed "How to Apply for the 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 security 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 or invitation 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. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisers or any other person involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide 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. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this prospectus.

OVERVIEW

We are an established distributor in the food ingredients and additives distribution industry with the capabilities to provide food ingredients application solutions to our customers. With over 21 years of experience in the industry, we specialise in supplying our extensive portfolio of over 1,000 food ingredients and food additives to food manufacturers in the PRC. Our products can be classified into three categories, namely (i) food ingredients; (ii) food additives; and (iii) packaging materials.

According to the Frost & Sullivan Report, food ingredients are edible substances that are used in preparing a dish or food product. They refer to processed or small quantities of edible natural substances. Raw materials of the food ingredients are all natural substances which generally do not have a restriction of usage amount and can improve the quality of food and the processing performance. They can be further classified into two categories, namely (i) main food ingredients and (ii) accessorial food ingredients. Main food ingredients include meat based, fish based, fruit based and dairy based ingredients etc whereas accessorial food ingredients include starch, modified starch, starch sugar, sugar alcohol, special flour, yeast products, oligosaccharides, proteins, cocoa products, other functional food ingredients etc. The major types of food ingredients sold by our Group are dairy based ingredients such as sweetened condensed milk, milk powder and creamer powder and other food ingredients such as tea powder and coffee powder.

Food additives, on the other hand, are any substances added to food for the purposes of flavour preservation, taste enhancement, appearance and safety improvement, which are commonly used in the production, processing, treatment, packaging, transportation and/or storage of food. There are two major categories of food additives, (i) direct food additives, which are intentionally added to food for a specific functional purpose in controlled amount, and (ii) indirect food additives, which refer to substances that unintentionally become part of the food in trace amounts through packaging, storage or other handling. The major types of food additives sold by our Group are emulsifiers, food flavouring, food stabilisers and food colouring.

Leveraged on our experience in the food ingredients and additives distribution industry, we have built strong relationships with our suppliers worldwide. As at the Latest Practicable Date, we had business relationships with around 200 suppliers. Our suppliers include (i) internationally renowned food ingredients brands such as Supplier A, a well-known dairy products manufacturer originated from Switzerland; and (ii) reputable food additives manufacturers such as Mitsubishi, Sensient and Rettenmaier. While we generally procure food ingredients and food additives through purchase orders, we also enter into exclusive and non-exclusive distribution agreements with certain of our major suppliers. To signify our long established relationships with our major suppliers and to maintain a stable supply of high quality food ingredients and additives, we strive to establish exclusive supplier-distributor relationship with our internationally renowned suppliers. As at the Latest Practicable Date, our Group is the regional exclusive distributor of Sensient in Eastern China, the exclusive distributor of Sensient for supplying its products to Want Want (旺旺) and the exclusive distributor of Supplier L for the distribution of vegetable fat powder and cocoa butter

SUMMARY

substitute. Our Group is also the non-exclusive distributor of certain of our major suppliers. For each of the three years ended 31 December 2015, 2016 and 2017, the five largest suppliers of our Group in aggregate accounted for approximately 80.7%, 81.1% and 80.6% of our total purchases, and our largest supplier accounted for approximately 47.4%, 52.9% and 47.9% of our total purchases respectively.

During the Track Record Period and as at the Latest Practicable Date, we have supplied food ingredients and food additives to over 2,000 customers in the PRC. Our core customers can be broadly categorised into (i) confectionery and chocolate manufacturers; (ii) beverage manufacturers; (iii) dairy products manufacturers; (iv) bakery products manufacturers; (v) food additives manufacturers and trading companies; (vi) oil and grease manufacturers; (vii) restaurants; (viii) health supplements manufacturers; and (ix) others. We maintained stable and long-term relationships with our major customers. For each of the three years ended 31 December 2015, 2016 and 2017, the percentage of revenue contributed by the largest customer amounted to approximately 11.9%, 8.8% and 7.8% respectively, while the percentage of revenue contributed by the five largest customers combined amounted to approximately 35.6%, 27.7% and 24.5% respectively. Up to the Latest Practicable Date, we have established relationship of at least six years with each of our five largest customers during the Track Record Period.

The following tables set forth our revenue, gross profit and gross profit margin by product categories for the periods indicated:

Product categories	Year ended 31 December					
	2015		2016		2017	
	RMB'000	% of the total revenue	RMB'000	% of the total revenue	RMB'000	% of the total revenue
Food ingredients	263,326	57.7	303,969	60.7	312,169	59.1
Food additives	180,588	39.6	188,586	37.6	211,580	40.1
Packaging materials	12,139	2.7	8,731	1.7	4,186	0.8
Total	456,053	100.0	501,286	100.0	527,935	100.0

Product categories	Year ended 31 December					
	2015		2016		2017	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Food ingredients	31,772	12.1	35,783	11.8	34,811	11.2
Food additives	40,334	22.3	40,443	21.4	50,306	23.8
Packaging materials	851	7.0	346	4.0	91	2.2
Total	72,957	16.0	76,572	15.3	85,208	16.1

The following tables set forth our revenue, gross profit and gross profit margin by customer categories for the periods indicated:

Customer categories	Year ended 31 December					
	2015		2016		2017	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Confectionery and chocolate manufacturers	98,919	21.7	100,878	20.1	96,064	18.2
Beverage manufacturers	64,433	14.1	101,605	20.2	111,379	21.2
Dairy products manufacturers	88,362	19.4	96,708	19.3	91,757	17.4
Bakery products manufacturers	63,899	14.0	63,201	12.6	72,001	13.6
Food additives manufacturers and trading companies	64,640	14.2	42,921	8.6	50,875	9.6
Oil and grease manufacturers	12,392	2.7	19,370	3.9	22,304	4.2
Restaurants	11,591	2.5	26,461	5.3	24,454	4.6
Health supplements manufacturers	10,439	2.3	7,611	1.5	15,462	2.9
Others	41,378	9.1	42,531	8.5	43,639	8.3
Total	456,053	100.0	501,286	100.0	527,935	100.0

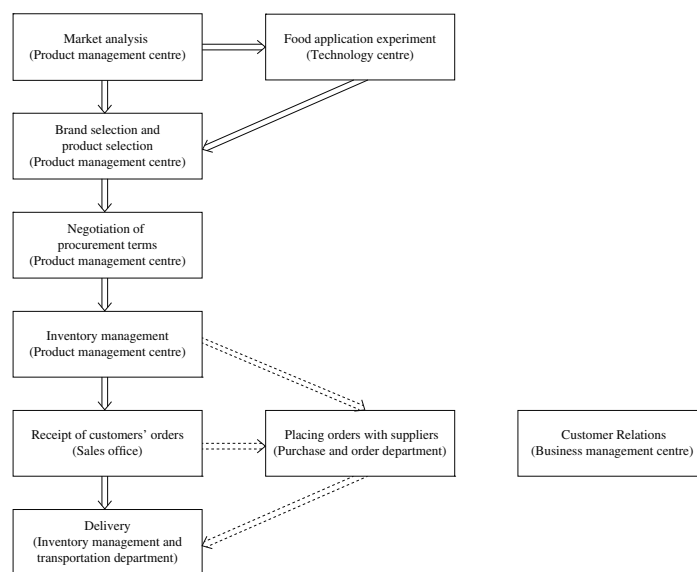
SUMMARY

Customer categories	2015		Year ended 31 December 2016		2017	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Confectionery and chocolate manufacturers	17,031	17.2	13,650	13.5	14,360	14.9
Beverage manufacturers	10,318	16.0	14,473	14.2	17,075	15.3
Dairy products manufacturers	15,942	18.0	14,795	15.3	15,863	17.3
Bakery products manufacturers	11,723	18.3	11,153	17.6	13,060	18.1
Food additives manufacturers and trading companies	6,915	10.7	7,229	16.8	8,337	16.4
Oil and grease manufacturers	3,027	24.4	5,515	28.5	6,562	29.4
Restaurants	643	5.5	3,501	13.2	2,483	10.2
Health supplement manufacturers	1,650	15.8	1,223	16.1	2,187	14.1
Others	5,708	13.8	5,033	11.8	5,281	12.1
Total	72,957	16.0	76,572	15.3	85,208	16.1

Our research and development capacity has distinguished us from other competitors in the food ingredients and additives distribution industry and provided us a unique edge to develop our reputation and our diversified customer networks. Our technology centre is capable of providing one-stop food ingredients application solutions to our customers. These application solutions include development of food manufacturing solutions, formula refinement and taste enhancement which allow our customers to manufacture food with better texture, more stable product quality and longer shelf life. Our technology centre staff also worked with our suppliers in experimenting and exploring the application methods of the products provided by our suppliers.

BUSINESS MODEL

The following diagram illustrates our operation flow:



SUMMARY

Our experienced product management team and technology team carry out market analysis and food ingredients and additives application experiments at our product management centre and our technology centre. Market analysis includes exploration and identification of new brands and new products, data collection and researches on the domestic and international market trend and review of our product portfolio while product application experiments involve the development of new product concepts and formulae refinement such as texture and taste enhancement. Some of our major suppliers, such as Mitsubishi and Supplier A, an internationally renowned dairy products manufacturer originated from Switzerland, would send their product development team staff to our technology centre to participate in our product application experiments.

We select our suppliers carefully by considering their brand reputation, product quality, price competitiveness and supply capabilities. Our product management centre monitors our product portfolio closely. Each product manager in the product management centre is assigned with specific product(s) and is responsible for tasks such as analysing historical sales performance, preparing costs budgets and sales projection. The product analysis prepared by product managers would in turn assist the management, including our director of product management centre, in formulating our Group's sales and marketing strategies in respect of different product categories and monitoring the implementation of such strategies.

In order to secure our market shares in the food ingredients and additives distribution industry and to maintain a stable source of supply, we enter into distribution agreements with our major suppliers with terms ranging from one to five years for the exclusive or non-exclusive sale and distribution rights of their products. The distribution rights granted by our suppliers are usually limited to specific geographic areas or specific products. By entering into these distribution agreements, it allows our Group to secure sufficient supplies of highly demanded products and to maintain a diversified product offering.

Our product managers work with our suppliers to compile procurement rolling forecast every three months generally. We procure products from our suppliers on an ongoing basis to maintain a reasonable level of inventory at a pre-set value to meet our business needs. For details of our inventory management, please refer to the paragraphs headed "Business — Warehouses, inventory management and transportation — Inventory management" in this prospectus. Upon receipt of the orders, our business operation department will liaise with our inventory management and transportation department to conduct a stock check to ensure that there is stock available to complete the orders. If there are sufficient stocks available, our inventory management and transportation department staff will collect the products and arrange for delivery to our customers within three days or such other days as agreed between our customers and us.

For all products we source from our suppliers, we require the supplier to produce a laboratory test report or certificate in respect of the products delivered to us in order to certify that the products have complied with the relevant food safety laws and regulations. After the products have arrived at our warehouses, they are subject to our quality control procedures whereby our purchase and order department will conduct quality and quantity checks to ensure that the products delivered to us are in good condition for sale. These measures include inspection on product specifications and intactness of packaging. For further details on our quality control measures, please refer to the paragraphs headed "Business — Quality control" in this prospectus.

SUMMARY

LICENCES AND PERMITS

The following table sets out the details of our major licences and permits as at the Latest Practicable Date:

Entity	Licences/Certificates/ Registrations	Purpose	Issuing authority	Expiry date
Shanghai Shineroad	Food Operations Licence (食品經營許可證)	For the sale of pre-packaged food	Market Supervision Administration of Fengxian District Shanghai Municipality (上海市奉賢區市場監督 管理局)	10 December 2022
Guangzhou Jieyang	Food Operations Licence (食品經營許可證)	For the sale of pre-packaged food	Food and Drugs Supervision Administration of Panyu District Guangzhou City (廣州市番禺區食品 藥品監督管理局)	13 March 2022
Beijing Shineroad	Food Distribution Licence (食品流通許可證)	For the distribution of pre-packaged food and dairy products	Food and Drugs Supervision Administration of Beijing Municipality (北京市食品藥品監督管 理局)	22 July 2018

As advised by our PRC Legal Advisers and confirmed by our Directors, our Group had obtained all necessary licences and permits for our business operations in the PRC 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 and permits. Further, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licences and permits upon their expiration. Our Directors are not aware of any reason that would cause or lead to non-renewal of our permits, licences and approvals. On 25 May 2018, we have applied for the renewal of the Food Distribution Licence* (食品流通許可證) of Beijing Shineroad and expect to receive the renewed licence in late June 2018.

COMPETITIVE STRENGTHS

We believe the key competitive strengths which have contributed to our success in the past and will continue to enable us to benefit from future growth opportunities in the food ingredients and additives distribution industry in the PRC include: (i) our technology centre possesses strong research and development capabilities; (ii) we have a long-standing reputation in the food ingredients and additives distribution industry and established relationships with our major suppliers; (iii) we are capable of offering an extensive product portfolio to our customers and our product management centre provides centralised management of our product portfolio; (iv) we have a wide and diversified customer base with long and established relationships with our major customers; and (v) our experienced management team has a proven track record.

BUSINESS STRATEGIES

We intend to strengthen our market position and increase our market share by pursuing the following strategies: (i) expanding our market shares by setting up new offices to increase our sales points; (ii) strengthening our purchasing power and continuing to secure distribution agreements with quality food ingredients and additives suppliers; (iii) enhancing our research and development capabilities; and (iv) participating in promotional and marketing activities.

RELATIONSHIP WITH OUR LARGEST SUPPLIER — SUPPLIER A

Supplier A is our top supplier during the Track Record Period. For each of the three years ended 31 December 2015, 2016 and 2017, our total amount of purchase from Supplier A amounted to approximately 47.4%, 52.9% and 47.9% of our total purchase. For detailed analysis of the reasons for our reliance on Supplier A and the sustainability of our business in view of our reliance, please refer to the section headed “Business — Relationship with our largest supplier — Supplier A” in this prospectus. Please also refer to the section headed “Risk Factors — Risks relating to our business — We rely on our major suppliers for the supply of our products, and any shortage of, or delay in, the supply may significantly impact on our business and results of operation” in this prospectus for our supplier concentration risk.

SUMMARY

OVERLAPPING CUSTOMERS AND SUPPLIERS

During the Track Record Period, Supplier A, Shineroad Industries and Teaheals were our overlapping customers and suppliers which were also our top five suppliers. Our Directors confirmed that all of our sales to and purchases from Supplier A, Shineroad Industries and Teaheals were incidental transactions, were not inter-conditional, inter-related or otherwise considered as one transaction. For further details, please refer to the section headed “Business — Overlapping customers-suppliers” in this prospectus.

COMPETITIVE LANDSCAPE

According to the Frost & Sullivan Report, the food ingredients distribution industry in the PRC is considered as a highly fragmented and competitive market with over 8,000 players and no dominant players in the market. Therefore, it is vital for the food manufacturers to adapt to the everchanging consumer tastes preferences and develop new food products to broaden their product portfolios in order to meet the needs of various consumer groups. As the suppliers for food manufacturers, food ingredients distributors are proactively acquiring market information and strive to offer a more comprehensive sourcing service for the manufacturers. The stronger market players which possess in-house research and development ability in the food ingredients distribution market would also provide an integrated food manufacturing solution service for the manufacturers to differentiate themselves from other traditional food ingredients distributors. In 2016, our Group accounted for an approximate market share of 0.04% in the food ingredients distribution market in the PRC.

For the food additives distribution industry, the market in the PRC is highly fragmented. As estimated, there were approximately 2,000 food additives distributors in the PRC in 2016. Given the large number of market players and intense competition, there is no food additives distributor with substantial market shares in the PRC. The common strategy being adopted in the food additives distribution industry is to meet the ever-changing market demand by product innovation. Sizable food additives distributors differentiate themselves by possessing most updated information of the entire supply chain from market demand capability to source products, purchase pattern and logistic arrangement for delivery. Long-established relationships with international brands also comes as a competitive edge to the food additives distributors. In 2016, our Group accounted for an approximate market share of 0.2% in the food additives distribution market in the PRC. Please refer to the section headed “Industry Overview” in this prospectus for further details.

SUMMARY OF FINANCIAL INFORMATION

The tables below are summaries of our Group’s combined results for the Track Record Period, which were extracted from the Accountants’ Report as set out in Appendix I to this prospectus.

Summary of consolidated statements of profit or loss

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Revenue	456,053	501,286	527,935
Cost of sales	<u>(383,096)</u>	<u>(424,714)</u>	<u>(442,727)</u>
Gross profit	<u>72,957</u>	<u>76,572</u>	<u>85,208</u>
Profit before tax	<u>44,182</u>	<u>40,334</u>	<u>38,499</u>
Profit for the year	<u><u>32,499</u></u>	<u><u>29,884</u></u>	<u><u>27,290</u></u>

SUMMARY

For the year ended 31 December 2016, our overall gross profit increased by approximately 5.0% from approximately RMB73.0 million for the year ended 31 December 2015 to approximately RMB76.6 million for the year ended 31 December 2016. Such increase is mainly attributable to the increase in the gross profit of our food ingredients during the relevant period.

For the year ended 31 December 2017, our overall gross profit increased by approximately 11.3% from approximately RMB76.6 million for the year ended 31 December 2016 to approximately RMB85.2 million for the year ended 31 December 2017. Such increase is mainly attributable to the increase in the gross profit of our food additives during the relevant period.

Summary of consolidated statements of financial position

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Non-current assets	850	682	942
Current assets	171,987	197,624	241,920
Current liabilities	97,464	58,243	59,049
Net current assets	74,523	139,381	182,871
Non-current liabilities	—	40,000	40,000
Net Assets	75,373	100,063	143,813
Total equity	75,373	100,063	143,813

Consolidated statements of cash flows

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Net cash flows from/(used in) operating activities	21,108	6,221	33,935
Net cash flows from/(used in) investing activities	22,095	122	(71)
Net cash flows (used in)/from financing activities	(52,836)	3,200	15,719
Net increase/(decrease) in cash and cash equivalents	(9,633)	9,543	49,583
Cash and cash equivalents at beginning of year/period	39,845	30,215	39,828
Effect of foreign exchange rate changes, net	3	70	(721)
Cash and cash equivalents at end of year/period	30,215	39,828	88,690

For the year ended 31 December 2015, we had net cash from operating activities of approximately RMB21.1 million, which was primarily contributed by our profit before tax of approximately RMB44.2 million, a decrease in amounts due from related parties — trade related of approximately RMB108.3 million. These cash inflow was partially offset by an increase in inventories of approximately RMB21.3 million, and increase in trade receivables and bill receivables of approximately RMB18.6 million and a decrease in amount due to related parties — trade related of approximately RMB86.2 million.

For the year ended 31 December 2016, we had net cash from operating activities of approximately RMB6.2 million, which was primarily contributed by our profit before tax of approximately RMB40.3 million and an increase in trade payables of approximately RMB9.8 million. These cash inflow was partially offset by an increase in inventories of approximately RMB10.1 million, a decrease in amount due to related parties — trade related of approximately RMB12.1 million and payment of income tax of approximately RMB20.5 million.

For the year ended 31 December 2017, we had net cash from operating activities of approximately RMB33.9 million, which was primarily contributed by our profit before tax of approximately RMB38.5 million, a decrease in inventory of approximately RMB14.4 million and prepayments of approximately RMB10.2 million. These cash inflow was partially offset by an increase in pledged deposits of approximately RMB12.3 million and an increase in trade and bills receivables of approximately RMB9.2 million.

Key Financial Ratios

	As at or for the year ended 31 December		
	2015	2016	2017
Current ratio ¹	1.8 times	3.4 times	4.1 times
Quick ratio ²	1.3 times	2.5 times	3.5 times
Gearing ratio ³	39.8%	40.0%	27.8%
Interest coverage ⁴	24.6 times	23.9 times	19.3 times
Return on total assets ⁵	18.6%	15.0%	11.2%
Return on equity ⁶	42.7%	29.7%	18.9%
Gross profit margin ⁷	16.0%	15.3%	16.1%
Net profit margin ⁸	7.1%	5.9%	5.2%

SUMMARY

Notes:

1. Current ratio is calculated based on total current assets divided by total current liabilities as at the respective year end.
2. Quick ratio is calculated based on total current assets less inventories and divided by total current liabilities as at the respective year end.
3. Gearing ratio is calculated based on total debt divided by total equity as at the respective year end and multiplied by 100%. Debts are defined to include payables incurred not in the ordinary course of business.
4. Interest coverage is calculated by profit before interest and tax divided by interest for the respective year.
5. Return on total assets is calculated by profit attributable to owners of the Company for the year divided by total assets as at the respective year end and multiplied by 100%.
6. Return on equity is calculated by profit attributable to owners of the Company for the year divided by total equity as at the respective year end and multiplied by 100%.
7. Gross profit margin is calculated by gross profit divided by revenue for the respective year and multiplied by 100%.
8. Net profit margin is calculated by profit attributable to owners of the Company for the year divided by revenue for the respective year and multiplied by 100%.

CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer, Shineroad Group will directly hold 510,000,000 Shares, representing 75.0% of the enlarged issued share capital of our Company (without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme). Shineroad Group is a wholly-owned subsidiary of Ocean Town, whose entire issued share capital is held by Mr. Huang (the Chairman and an executive Director). Accordingly, Mr. Huang, Ocean Town and Shineroad Group will become our Controlling Shareholders under the Listing Rules. For further details, please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus.

DIVIDEND

For each of the three years ended 31 December 2015, 2016 and 2017, we paid dividends of RMB37.0 million, nil and approximately RMB59.0 million, respectively, to our shareholders of our Company. However, we currently do not have any pre-determined dividend payout ratio. The declaration of dividends of our Company is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders’ interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. Future dividend payments will also depend on the availability of dividends received from our operating subsidiary in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including the HKFRSs. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends.

There can be no assurance that we will be able to declare or distribute dividends 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.

LISTING EXPENSES

Our listing expenses mainly include underwriting fees and commissions and professional fees for the services rendered in relation to the Listing and the Share Offer. The estimated total listing expenses (based on the Offer Price of HK\$0.75 per share) for the Share Offer is approximately HK\$33.8 million (equivalent to approximately RMB27.7 million), of which approximately HK\$11.8 million (equivalent to approximately RMB9.7 million) is directly attributable to the Share Offer and is expected to be capitalised after the Share Offer. The remaining amount of approximately HK\$22.0 million (equivalent to approximately RMB18.0 million) has been or is to be charged to

SUMMARY

the consolidated statements of profit or loss and other comprehensive income, of which (i) approximately HK\$3.6 million (equivalent to approximately RMB2.9 million) was incurred and charged for the year ended 31 December 2015; (ii) approximately HK\$2.2 million (equivalent to approximately RMB1.8 million) was incurred and charged for the year ended 31 December 2016; (iii) approximately HK\$8.7 million (equivalent to approximately RMB7.2 million) is expected to be charged for the year ended 31 December 2017; and (iv) approximately HK\$7.5 million (equivalent to approximately RMB6.1 million) is expected to be charged for the year ending 31 December 2018.

REASONS FOR THE LISTING AND USE OF PROCEEDS

Our Directors believe that the Share Offer will enhance our corporate profile, market recognition and creditworthiness. Besides, our Directors believe that the Share Offer will provide us with the necessary capital to implement our future plans as set out in the sections headed “Business — Business Strategies” in this prospectus.

The net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses in connection with the Share Offer, based on the Offer Price of HK\$0.75 per Share) will be approximately HK\$93.7 million (equivalent to approximately RMB76.8 million). Our Directors intend to apply the net proceeds from the Share Offer as follows:

- (i) approximately RMB35.8 million (equivalent to approximately HK\$43.6 million), representing approximately 46.5% of the net proceeds from the Share Offer will be utilised for setting up seven branch offices at different provinces in the PRC;
- (ii) approximately RMB15.0 million (equivalent to approximately HK\$18.3 million), representing approximately 19.5% of the net proceeds from the Share Offer will be utilised for repaying the entrusted loans with an outstanding amount of RMB15 million (the effective interest rate being 5.22% per annum and will become due in April 2019 of amount RMB5 million and April 2020 of amount RMB10 million);
- (iii) approximately RMB12.0 million (equivalent to approximately HK\$14.6 million), representing approximately 15.6% of the net proceeds from the Share Offer will be utilised for acquiring new distribution rights;
- (iv) approximately RMB4.1 million (equivalent to approximately HK\$5.1 million), representing approximately 5.4% of the net proceeds from the Share Offer will be utilised for expanding our technology centre;
- (v) approximately RMB2.0 million (equivalent to approximately HK\$2.5 million), representing approximately 2.6% of the net proceeds from the Share Offer will be utilised for participating in promotional and marketing activities; and
- (vi) approximately RMB7.9 million (equivalent to approximately HK\$9.6 million), representing approximately 10.4% of the net proceeds from the Share Offer will be utilised as general working capital in order to improve our liquidity.

SHARE OFFER STATISTICS

Market capitalisation at Share Offer (<i>Note 1</i>)	:	HK\$510 million
Offer size	:	25% of the enlarged issued share capital of our Company
Offer Price per Offer Share	:	HK\$0.75 per Offer Share
Number of the Offer Shares	:	170,000,000 Shares
Number of Public Offer Shares	:	17,000,000 Shares
Number of Placing Shares	:	153,000,000 Shares

**Based on the Offer Price of
HK\$0.75 per Offer Share**

Unaudited pro forma adjusted net tangible assets per Share (*Note 2*) HK\$0.41

Notes:

1. The calculation of market capitalisation of the Shares is based on 680,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer, without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.
2. Please refer to the section headed “Appendix II — Unaudited pro forma financial information” for further details regarding the assumptions used and the calculations method.

SUMMARY

SUMMARY OF NON-COMPLIANCE INCIDENTS

During the Track Record Period, we did not comply with certain applicable laws and regulations. These non-compliance incidents include (i) failure to make adequate social security insurance and housing provident fund contributions; and (ii) inter-company loans. Please refer to the section headed “Business — Litigations, claims and non-compliance — Non-compliance” in this prospectus for further details of these non-compliance incidents. We have strengthened our internal control and have implemented enhanced internal control policies and measures in order to avoid occurrence of non-compliance incidents in the future.

SUBSEQUENT EVENTS AND NO MATERIAL ADVERSE CHANGES

After the Track Record Period, we settled one of the entrusted loans for the principal amount of RMB20 million on 18 April 2018 and the other entrusted loan for the principal amount of RMB20 million on 19 April 2018. Our Group entered into two new entrusted loans (the trustee being an Independent Third Party) for the amount of RMB5 million and RMB10 million in April 2018.

Moreover, our Group is expected to further incur listing expenses in the year ending 31 December 2018, where approximately HK\$7.5 million (equivalent to approximately RMB6.1 million) is expected to be charged to our combined income statement for the year, as detailed in the paragraph headed “Listing expenses” above in this section.

Our Directors confirm that, save for the aforesaid, since 31 December 2017 and up to the date of this prospectus, there was no material adverse change in the trading and financial position or prospects of our Group and no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report as set out in Appendix I to this prospectus, and the section headed “Financial Information” in this prospectus.

RISK FACTORS

There are certain risks involved in our operations and in connection with the Share Offer, and many of them are beyond our control. A more comprehensive discussion of the risk factors is set out in the section headed “Risk Factors” in this prospectus. The following are some of the more significant risks that may materially and adversely affect us: (i) we rely on our major suppliers for the supply of our products, and any shortage of, or delay in, the supply may significantly impact on our business and results of operation; (ii) our business may be affected by quality controls of our suppliers; (iii) our Group’s business is subject to the availability, quality and price of the food ingredients and additives; (iv) we are exposed to credit risks from customers and delay in payments from our customers may affect our cashflow position and results of operations; (v) our business and reputation may be affected by product tampering, food safety issues, foodborne illnesses, health threats, product liability claims, litigation, complains, and adverse publicity; (vi) our Group’s operation is subject to transportation services rendered by third parties; and (vii) our Group faces the risk of obsolescence for our inventory.

DEFINITIONS

In this prospectus, the following terms shall have the meanings set forth below unless the context otherwise requires.

“Accountants’ Report”	the accountants’ report on our Group for the Track Record Period set out in Appendix I to this prospectus
“Anhui BBKA”	Anhui BBKA International Co. Ltd (安徽豐原國際貿易有限公司), a food additives trading company originated from the PRC, its group companies, that specialises in manufacturing citric acid, and the brands operated under its group
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN 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 adopted on 31 May 2018, as amended from time to time, a summary of which is set out in the section headed “Summary of the constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beijing Shineroad”	北京申欣融食品配料有限公司 (Beijing Shineroad Food Additives Co., Ltd.*), a company established in the PRC with limited liability on 11 July 2011 and an indirectly wholly-owned subsidiary of our Company
“Board”	the board of Directors
“business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over a certain time period
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of our Company referred to in the section headed “3. Written resolutions of our Sole Shareholder passed on 31 May 2018” in Appendix IV to this prospectus

DEFINITIONS

“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
“CCASS Investor Participant”	a person or persons admitted to participate in CCASS as an Investor participant, who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of the HKSCC in relation to CCASS, containing the practices, procedures and administrative requirement relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	the chairman of the Board, namely, Mr. Huang
“Chief Executive Officer”	the chief executive officer of our Company, namely, Mr. Li Junkui
“China Galaxy International”	China Galaxy International Securities (Hong Kong) Co., Limited, a licenced corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities, being one of the Joint Bookrunners and Joint Lead Managers and one of the Underwriters
“Cinda International” or “Sole Sponsor”	Cinda International Capital Limited, a licenced corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, being the sole sponsor to our Company for the Listing, one of the Joint Bookrunners and Joint Lead Managers and one of the Underwriters

DEFINITIONS

“Co-Lead Managers”	Golden Rich Securities Limited, a licenced corporation under the SFO to conduct type 1 (dealing in securities) regulated activities; Lego Securities Limited, a licenced corporation under the SFO to conduct type 1 (dealing in securities) regulated activities; Long Asia Securities Limited, a licenced corporation under the SFO to conduct type 1 (dealing in securities) regulated activities; Shun Loong Securities Company Limited, a licenced corporation under the SFO to conduct type 1 (dealing in securities) regulated activities; and Wellington Financial Limited, a licenced corporation under the SFO to conduct type 1 (dealing in securities) and type 9 (asset management) regulated activities, being the co-lead managers of the Share Offer
“Companies Law”	the Companies Law (as 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 (Winding Up and Miscellaneous Provisions) 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”	Shineroad International Holdings Limited (欣融國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 26 November 2015
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, in the context of our Company, means the controlling shareholders of our Company, namely, Mr. Huang, Ocean Town and Shineroad Group
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)

DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated 31 May 2018 given by our Controlling Shareholders in favour of our Company, details of which are set forth in the section headed “Statutory and general information — Other information — tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 31 May 2018 given by our Controlling Shareholders in favour of our Company, details of which are set forth in the section headed “Relationship with Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“Frost & Sullivan”	Frost & Sullivan Limited, an Independent Third Party, which is a market research company commissioned by us for preparing the Frost & Sullivan Report
“Frost & Sullivan Report”	the report prepared by Frost & Sullivan on the food ingredients and additives distribution market in the PRC, as commissioned by us, an extract of which is set forth in the section headed “Industry Overview” of this prospectus
“Fujiya (不二家)”	不二家(杭州)食品有限公司 (Fujiya (Hangzhou) Food Ltd*), a confectionery and chocolate manufacturer originated from Japan, its group companies and brands operated under its group
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guangzhou Jieyang”	廣州捷洋食品科技有限公司 (Guangzhou Jieyang Food Technology Company Limited*), a company established in the PRC with limited liability on 16 November 2010 and an indirectly wholly-owned subsidiary of our Company

DEFINITIONS

“Hi-Road”	上海海融食品科技股份有限公司 (Shanghai Hi-Road Food Technology Co., Ltd.*), a PRC company which was owned as to 57.6% by Mr. Huang and 38.4% by Mr. HH Huang (while the remaining equity interest was owned by Independent Third Parties) as at the Latest Practicable Date
“Hi-morse Food”	上海海象食品配料有限公司 (Shanghai Hi-morse Food Additives Co., Ltd.*), a PRC company which was wholly-owned by Hi-Road as at the Latest Practicable Date
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“ HK eIPO White Form ”	the application for the Public Offer Shares to be issued in applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRS” or “HKFRSs”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Independent Third Party(ies)”	an individual or a company who or which is independent from and not connected with (within the meaning of Listing Rules) any directors, chief executive, substantial shareholders of our Company, its subsidiaries or any of their respective associates
“Internal Control Consultant”	RSM Consulting (Hong Kong) Limited, an independent internal control consultant, to review the effectiveness of the internal control measures relating to our business operations
“IRD”	the Inland Revenue Department

* As adopted in the sole director’s resolution of Hi-morse Food dated 6 November 2017

DEFINITIONS

“Joint Bookrunners” or “Joint Lead Managers”	Cinda International, China Galaxy International and Supreme China, being the joint bookrunners and joint lead managers of the Share Offer
“JRS”	a food additive brand owned by Rettenmaier
“Latest Practicable Date”	5 June 2018, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the Main Board first commence, which is expected to be on 27 June 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board, as amended, modified and supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Memorandum”	the amended and restated memorandum of association of our Company adopted on 31 May 2018, as amended from time to time a summary of which is set out in the section headed “Summary of the constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus
“Mitsubishi”	Mitsubishi Chemical Foods Corporation, a food additive manufacturer originated from Japan, its group companies and brands operated under its group
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. HB Huang”	Mr. Huang Haibo (黃海波), brother of Mr. Huang
“Mr. HH Huang”	Mr. Huang Haihu (黃海瑚), brother of Mr. Huang
“Mr. Huang”	Mr. Huang Haixiao (黃海曉), the Chairman of the Board, an executive Director and a Controlling Shareholder

DEFINITIONS

“Ms. Chen”	Ms. Chen Dongying (陳冬英), the spouse of Mr. Huang
“Ms. XD Huang”	Ms. Huang Xiaodan (黃曉丹), the sister of Mr. Huang
“Ms. XR Huang”	Ms. Huang Xin Rong (黃欣融), a non-executive Director and the daughter of Mr. Huang and Ms. Chen
“Ocean Town”	Ocean Town Company Limited (海城有限公司), a business company incorporated in the BVI on 6 April 2016 wholly-owned by Mr. Huang, being one of our Controlling Shareholders
“Offer Price”	the offer price per Offer Share (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at which Shares are offered under the Share Offer
“Offer Share(s)”	the Public Offer Shares and the Placing Shares
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company at the Offer Price with institutional and professional investors, details of which are described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	the 153,000,000 new Shares initially being offered by our Company for subscription at the Offer Price under the Placing, subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriter(s) of the Placing whose names are set out in the section headed “Underwriting” in the prospectus, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing
“Placing Underwriting Agreement”	the conditional underwriting agreement in relation to the Placing to be entered into among our Company, our Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting — Underwriting arrangements and expenses — The Placing Underwriting Agreement” in this prospectus

DEFINITIONS

“PRC” or “China”	People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Government”	the central government of the PRC including all government departments (including provincial, municipal and other regional or local government entities) and organisations thereof or, as the context requires, any of them
“PRC Legal Advisers”	Beijing Dacheng Law Offices, LLP (Shanghai), the legal advisers to our Company as to PRC laws in connection with the Listing
“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and 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 17,000,000 new Shares initially being offered by our Company for subscription at the Offer Price under the Public Offer, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriter(s) whose names are set out in the section headed “Underwriting” in this prospectus, who have entered into the Public Offer Underwriting Agreement
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 13 June 2018 relating to the Public Offer and entered into among our Company, our Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters, details of which are set out in the section headed “Underwriting” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed “History, Reorganisation and Corporate Structure” in this prospectus

DEFINITIONS

“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our sole Shareholder, further details of which are contained in the section headed “Statutory and General Information — A. Further information about our Company” in Appendix IV to this prospectus
“Rettenmaier”	Rettenmaier (Shanghai) Fiber Trading Co., Ltd (瑞登梅爾(上海)纖維貿易有限公司), a food additive manufacturer originated from Germany and its group companies
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Sensient”	Sensient Technologies Corporation (China) Ltd (森馨香精色素科技(中國)有限公司), a food additives manufacturer for food flavouring and colouring originated from the US, its group companies, and the brands operated under its name
“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
“Shanghai Shineroad”	上海欣融食品原料有限公司 (Shanghai Shineroad Food Ingredients Co., Ltd.*), a company established in the PRC with limited liability on 10 January 2011 and an indirectly wholly-owned subsidiary of our Company
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 31 May 2018, a summary of the principal terms and conditions of which is set forth in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Shell”	CNOOC and Shell Petrochemicals Company Limited (中海殼牌石油化工有限公司), a petroleum and by products provider, one of our major suppliers during the Track Record Period for packaging materials
“Shineroad Food”	Shineroad Food Holdings Limited (欣融食品控股有限公司), a limited liability company incorporated in Hong Kong on 9 December 2015 and an indirectly wholly-owned subsidiary of our Company
“Shineroad Group”	Shineroad Group Limited (欣融集團有限公司), a business company incorporated in the BVI on 12 November 2015 wholly-owned by Ocean Town, being one of the Controlling Shareholders of our Company
“Shineroad Holdings”	Shineroad Holdings Limited (欣融控股有限公司), a business company incorporated in the BVI on 1 December 2015 and a directly wholly-owned subsidiary of our Company
“Shineroad Industries”	上海欣融實業發展有限公司 (Shanghai Shineroad Industries Development Co., Ltd.*), a company established in the PRC with limited liability on 29 January 1996 wholly-owned by Mr. Huang
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supreme China”	Supreme China Securities Limited, a licenced corporation under the SFO to conduct type 1 (dealing in securities) regulated activities, being one of the Joint Bookrunners and Joint Lead Managers and one of the Underwriters
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Teaheals”	浙江頂亨生物科技有限公司 (Zhejiang Teaheals Bio-tech Co., Ltd.*), a PRC company wholly-owned by Mr. Huang as at the Latest Practicable Date

DEFINITIONS

“Track Record Period”	the period comprising the three financial years ended 31 December 2015, 2016 and 2017
“U Foods”	U Foods (India) Private Limited, an India Company which was owned as to 99.9% by Mr. Huang (while the remaining equity interest was owned by Independent Third Parties) as at the Latest Practicable Date
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“Underwriters”	the Placing Underwriters and the Public Offer Underwriters, further details of which are set out in the section headed “Underwriting” in this prospectus
“US” or “U.S.” or “United States”	United States of America
“US\$” or “US Dollars”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Want Want (旺旺)”	上海旺旺食品集團有限公司 (Shanghai Want Want Food Holding Company*), a dairy products and snacks manufacturer originated from Taiwan, its group companies and the brands operated under its group
“ WHITE Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicant’s own name
“ YELLOW Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the name of HKSCC Nominees Limited and deposited directly into CCASS
“%”	per cent.

If there is any discrepancy between the Chinese names or titles of the PRC laws and regulations or other Chinese documents mentioned in this prospectus and their English translations, the Chinese version shall prevail. If there is any inconsistency between the Chinese names of entities or enterprises established in PRC and their English translations, the Chinese names shall prevail. The English translations of company or entity names in Chinese or another language which are marked with “” and the Chinese translations of company names in English which are marked with “*” are for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain technical terms used in this prospectus as they relate to our business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

“CRM system”	customer relationship management
“Emulsifier”	a kind of food additive widely used in food products like dairy products and bakery products for stabilising the mixture of fat droplets in aqueous solutions
“ERP system”	enterprise resources planning system
“Food additives”	any substances added to food for the purposes of flavour preservation, taste enhancement, appearance and safety improvement, which are commonly used in the production, processing, treatment, packaging, transportation and/or storage of food
“Food ingredients”	edible substances that are used in preparing a dish or food product which include natural substances and processed substances
“UHT”	ultra high temperature treatment process used in food for sterilisation purpose

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements including, without limitation, words and expressions such as “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “plan”, “seek”, “will”, “would” or similar words or statements, in particular, in the sections “Business”, “Risk Factors”, “Industry Overview” and “Financial Information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on various assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and the various measures to implement such strategies;
- our dividend policy;
- our capital expenditure plans;
- our operations and business prospects, including development plans for our existing and new businesses;
- the prospective financial information;
- the future competitive environment for the industries in which we operate;
- the regulatory environment as well as the general industry outlook for the industries in which we operate;
- our projects under planning;
- the amount and nature of, and potential for, future developments in the industries in which we operate;
- the effects of the global financial markets and economic crisis; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations and the Listing Rules, we do not have any 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

FORWARD-LOOKING STATEMENTS

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

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision in the Shares being offered in this Share Offer. You should pay particular attention to the fact that our business and operations are conducted almost exclusively in the PRC and are governed by a legal and regulatory environment which in certain aspects differs from that prevailing in other countries. Our Group's business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We rely on our major suppliers for the supply of our products, and any shortage of, or delay in, the supply may significantly impact on our business and results of operation

We principally sourced our products for sale to our customers from independent suppliers during the Track Record Period. As such, we rely on the ability and efficiency of suppliers to supply products to our customers. Our purchases from our largest supplier during the Track Record Period, Supplier A, amounted to approximately RMB176.8 million, RMB228.8 million and RMB205.6 million for the three years ended 31 December 2015, 2016 and 2017, respectively, representing 47.4%, 52.9% and 47.9% of our total purchases for the respective years. Our purchases from our 2nd largest supplier during the Track Record Period, Supplier C, amounted to approximately RMB66.8 million, RMB75.6 million and RMB77.5 million for the three years ended 31 December 2015, 2016 and 2017, respectively, representing 17.9%, 17.5% and 18.1% of our total purchases for the respective years. Our purchases from our top five major suppliers accounted for approximately 80.7%, 81.1% and 80.6% of our total purchases in the respective years.

We rely on Supplier A, an internationally renowned dairy products manufacturer originated from Switzerland and Mitsubishi as our major suppliers and in particular, Supplier A is our largest supplier which accounts for over 50% of our annual purchases in the year ended 31 December 2016. As we do not engage in manufacturing, our business, financial condition and operating results depend on the continuous supply of products from our suppliers and our stable relationship with them. Any shortage of, or delay in the supply, or our inability to obtain suppliers from alternative sources will have significant impact on our business and results of operation.

In order to secure the supply from our major suppliers, we entered into exclusive distribution agreement with Sensient and Supplier L and non-exclusive distribution agreements with Supplier A — an internationally renowned dairy product manufacturer originated from Switzerland, Mitsubishi, Rettenmaier, Supplier G — a food additive manufacturer for vanillin originated from Belgium and Supplier K — an international food ingredients and additives manufacturer originated from Ireland during the Track Record Period. However, our major suppliers may change their existing sales or marketing strategy in respect of the products supplied to us by selling those products directly to end

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customers, reducing their sales or production volume or changing their selling prices. Furthermore, our major suppliers which do not enter into exclusive distributorship agreements with us may appoint additional distributors which may compete with us in the market.

Any deterioration in our relationship with our major suppliers could affect our ability to secure sufficient supply of products for our business. In the event that any of our suppliers changes its sales or marketing strategy or otherwise appoint other dealers or distributors who may compete with us, our business, financial condition and operating results may be materially and adversely affected. For further details of our relationship with our major suppliers, please refer to the section headed “Business — Procurement and suppliers” in this prospectus.

Our business may be affected by quality controls of our suppliers

As we do not directly monitor the quality, design or control procedures of our suppliers, we cannot guarantee that the quality of all products provided by our suppliers are in compliance with the relevant food safety laws and regulations or without any defects. We rely on the manufacturers’ quality control procedures and standards to ensure the quality of the products that we sell. If any products that we sell have defects or safety problems, our reputation and ability to sell other products to customers may be adversely affected and we may be subject to product liability claims arising from such defects or problems. We do not maintain product liability insurance for our products, which our Directors believe to be in line with the standard commercial practice and the industry norm. In the event that we are found to be liable for a product liability claim, our Group may incur significant costs and expenses to defend against such claims and to pay monetary damages.

Although our Group has implemented quality control measures, there is no assurance that our internal control procedures and quality safeguards will be completely effective. Product quality issues may cause illness to the end-consumers of our customers. The occurrence of such incidents may result in customer complaints or adverse publicity causing damage to our reputation, as well as product liability claims against us which may result in losses in our sales.

Our Group’s business is subject to the availability, quality and price of the food ingredients and additives

Success of our Group’s business can be affected by the availability and quality of the food ingredients and additives. Save for the exclusive distribution agreement with one of our major suppliers and the non-exclusive distribution agreement with four of our major suppliers, we did not enter into long-term agreement with our suppliers and generally transacted with them on a per purchase basis during the Track Record Period. Although our product management team monitors our business connection with each of our suppliers, there is no assurance that our suppliers will continue to supply products to us with desired quality and in required quantities, in a timely manner and on terms commercially acceptable to us. Our Group’s operation also depends on the prompt delivery and transportation of food ingredients and additives to our customers. Disruption of food ingredients and additives supplies may be affected by many factors beyond our Group’s control, including unexpected production shortage, ceasing operations of a supplier, unanticipated customers

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demand, seasonal fluctuations, economic conditions, exchange rates, power failures and power shortages, political factors, governmental regulations and market competition. As such, our Group may experience supply shortages and increased costs. A material shortage in the supply of food ingredients and additives will adversely affect our Group's operation.

In addition, our operational performance is susceptible to the increase in our purchase costs of food ingredients and additives from our suppliers. For each of the three years ended 31 December 2015, 2016 and 2017 approximately RMB371.8 million, RMB416.3 million and RMB438.6 million, representing 97.1%, 98% and 99.1%, respectively of the costs of sales of our Group were attributable to the food ingredients and additives. A rise in the purchase costs of food ingredients and additives may be the result of various external factors, such as seasonality, fluctuations in costs of goods caused by supply and demand and other economic conditions that may adversely affect the cost, availability and quality of our food ingredients. If we are unable to obtain the requisite quantities of food ingredients and additives at commercially reasonable prices in accordance with our customers' requirements, our business could be adversely affected. In the event that the purchase costs of food ingredients and additives from our suppliers increase in the future and we are unable to pass these cost increases onto our customers immediately, our operational performance may also be affected.

We are exposed to credit risks from customers and delay in payments from our customers may affect our cashflow position and results of operations

We are exposed to credit risks from our customers and may experience increasing balance of trade receivables. For each of the three years ended 31 December 2015, 2016 and 2017, our trade receivables amounted to RMB67.7 million, RMB74.4 million and RMB76.9 million respectively, representing 14.8%, 14.9% and 14.6% of our revenue for the respective years. We have not written off any receivables as uncollectible during the Track Record Period. However, there is no assurance that the financial position of our customers will remain healthy in the future.

Although we are offered credit terms by some of our suppliers, we still have to pay certain costs and expenses in advance prior to receiving payment from our customers, and we also need to have sufficient cashflow to maintain our daily operations. In the event that our customers delay their payments to us by reason of insufficient liquidity or whatsoever, our cashflow level may be reduced, and our operation and financial position may be adversely affected accordingly. In addition, there may be costs incurred in the collection of prolonged trade receivables and hence our performance may be adversely affected.

Our business and reputation may be affected by product tampering, food safety issues, food-borne illnesses, health threats, product liability claims, litigation, complains, and adverse publicity

Similar to any food products, our food ingredients and additives involve an inherent risk of injury to consumers if they do not meet the required health and safety standards. These injuries may result from tampering by unauthorised third parties or product contamination, including the presence of foreign contaminants, bacteria, chemicals, pesticides, preservatives or other agents or

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residues during farming, harvesting, transportation and storage. While we are subject to governmental inspections and regulations, in addition to our own quality control, we cannot assure that our food ingredients and additives will always meet the required safety and health standards, the consumption of our products will not cause health-related illnesses in the future, or that we will not be subject to product liability claims or lawsuits relating to such matters.

The food industry in the PRC has in the past experienced problems related to food safety due to inadequate enforcement of food safety regulations and inspection procedures. While these events may not have any direct connection to us, they may negatively influence consumers' perception and demand for food products from the PRC, which could adversely affect our reputation, business operations, financial position and prospects.

Further, sources of the supply of our food ingredients and additives may be adversely affected if the government imposes restrictions or bans on their supply to prevent disease outbreaks. Alternative food sources may then be required and this could adversely affect the supply of some of our food ingredients and additives and significantly increase our costs.

Our Group's operation is subject to transportation services rendered by third parties

Our Group relies on transportation services providers for delivery of products to our customers. Our operation and delivery efficiency depends on the service quality of our transportation services providers and their ability to fulfil their obligations in accordance with the terms of the service contracts. Any failure to provide on-time delivery may have a material adverse impact on our business operation and our reputation, as well as expose us to potential contractual claims. In such event, we may not be able to seek full recourse against the transportation services providers in default under the terms of the service contract or enforce in full any judgement obtained. Any such disputes which may arise in the future may severely affect our business operation and divert our management attention and resources.

Furthermore, our service contracts with our transportation services providers are subject to expiry and may be early terminated by either party in accordance with the contractual terms. There is no guarantee that 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 of similar costs, which could reduce the distribution capacity of our Group, resulting in material adverse impact on our business operation.

Our Group faces the risk of obsolescence for our inventory

Our operation involves storage and stocking of a range of food ingredients and additives products with a limited shelf life. During the year ended 31 December 2016, we made the provision for inventories of approximately RMB82,000 because allowance was made when the net realisable value, which is based primarily on the latest market price estimated by the management, of inventories falls below the cost or any inventories is identified obsolete. However, we have not provided for impairment of inventory as a result of expiry or damage of products, our inventory inevitably faces obsolescence risks where there are unexpected material fluctuations or

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abnormalities in the supply and demand of food additives products by suppliers and customers, respectively or where there are changes in consumers' tastes and preferences or introduction of new products in the market, which may lead to decreased demand and overstocking of particular products.

We rely on a few key personnel and may not be able to retain their services

The success of our Group to date has been, and the future success of our Group will be, dependent on the continued services of our management and key personnel, namely, Mr. Huang, our Chairman and executive Director, who has more than 24 years of experience in the management of food ingredients and additives companies, and Mr. Li, our Chief Executive Officer and executive Director, who has 17 years of experience in the food ingredients and additives industry. For details, please refer to the section headed "Directors and Senior Management" in this prospectus. Our Group expects that our management team will continue to play a pivotal role in the future growth and success of our business. However, there is no assurance that our Group will be able to continue to retain the services of any or all of our management team and key personnel. If any of these personnel is unable or unwilling to continue to serve in his/her present position, and our Group is unable to find a suitable replacement in a timely manner, the loss of their services may cause disruption to our business and may have an adverse impact on our ability to manage or operate our business effectively. The results of our Group's operations may be adversely affected as a result.

Our Group could be exposed to liability by litigation or legal proceedings which may divert our resources and adversely impact our reputation

During the Track Record Period and up to the Latest Practicable Date, our Group is not involved in any material litigation, claim or any other proceedings against us in Hong Kong or in the PRC. However, our operational and financial stability are subject to any litigation or legal proceedings we may face in the future. During the ordinary course of our business operations, our Group is exposed to liability arising from product quality claims, labour disputes, contractual claims by our suppliers, customers and other potential third parties. These actions might adversely affect our brand image, reputation and customer preference for our products. Our operational and financial resources, as well as our management attention may be diverted in defence of such proceedings from our business and operations. Our financial performance may be materially and adversely affected as substantial legal costs may be incurred. Our Group's reputation may also be affected during the often prolonged process of litigation while the outcome remains uncertain. Furthermore, any settlements or judgments against us may strain our financial resources and adversely affect the profitability of our Group.

Our Group's operating results may fluctuate due to seasonality and other factors

Our Group's sales is affected by seasonal factors, including the timing of local holidays, launch of new products or trade shows for specific industries. Generally, demand for our Group's products is higher during the three to four months prior to Chinese New Year. These seasonal consumption patterns may cause our Group's results of operations to fluctuate from period of

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period, and comparisons of revenue of results of operations across different periods of a given year as an indicator of our Group's performance may not be meaningful and should not be relied upon as indicators of our Group's future performance.

We may not be able to secure the existing location for our sales office in Guangzhou and warehouse in Shanghai if the securities imposed on our lessors are enforced

Our sales office in Guangzhou and warehouse in Shanghai are leased from Independent Third Parties who have created pledges over the properties. As advised by our PRC Legal Advisers, if there is any change in ownership to the properties under the pledges, we do not have the right to require the assignees under the pledges to continue to perform under the existing lease, there will be a risk that we will be required to relocate to alternative premises. If we are unable to lease alternate properties as our sales office or warehouse on favourable terms and conditions, at comparable locations in a timely manner, additional costs may be incurred, which may in turn have a material adverse effect on our overall financial position.

Our Group's insurance policies may not provide adequate coverage for all claims associated with our Group's business operations

Our Group has obtained insurance policies that our Group believes to be customary for businesses of our Group's size and type and in line with the standard commercial practice in Hong Kong. For details, please refer to the section headed "Business — Insurance" in this prospectus. Nevertheless, there are types of losses our Group may incur that cannot be insured against or that our Group believes to be not commercially reasonable to insure, such as loss of reputation. If our Group is held liable for uninsured losses, our Group's financial results may be materially adversely affected.

Failure of our ERP system could interrupt our operations and adversely affect our business operation

We rely on our existing ERP system to manage our purchases from suppliers and historical sales to customers, monitor and control our inventory level, adjust our selling prices and track sales performance. Any damage or failure of our ERP system may result in loss of important information about sales orders from customers or distribution arrangement with suppliers, and we may not be able to recover such information. As a result, our business, operation and reputation may be adversely affected by the breakdown, notwithstanding long-term or temporary, of the ERP system.

Increase in staff costs could adversely affect our Group's financial condition and operation results

For the three years ended 31 December 2015, 2016 and 2017, the staff costs accounted for approximately 2.4%, 3.4% and 4.0% of our Group's revenue, respectively. Therefore, the significant increase in staff costs could adversely affect our Group's, financial condition and operation results.

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If our Group decides not to pass the increased staff costs onto its customers by increasing the prices, or manages effectively its costs of operations, our Group's financial results may be adversely affected.

We are exposed to foreign exchange risks

Our Group's activities were mainly denominated in RMB and US Dollars. We recorded that net foreign exchange losses of approximately RMB1.9 million and RMB1.5 million and RMB0.7 million for the years ended 31 December 2015, 2016 and 2017 respectively. Our Group is generally exposed to foreign currency risk primary arising from purchase of goods by foreign currencies. As the trade payables for overseas procurement are generally settled in US Dollars but booked in our accounts in RMB as the functional currency of our Group, we may incur foreign exchange losses for the trade payable in US Dollars if there is a general depreciation of RMB against US Dollars at the time of actual settlement. For the years ended 31 December 2015 and 2016, losses arose on foreign exchange primarily due to the effect of the general depreciation of RMB against US Dollars on our oversea procurement.

For the year ended 31 December 2017, approximately US Dollars 8.9 million (equivalent to approximately RMB60.0 million) was injected into the registered capital of Shanghai Shineroad in July 2017. As the US Dollars denominated assets are booked in our accounts in RMB as the functional currency of our Group, any fluctuation in the US Dollars exchange rate may result in gains/losses on foreign exchange. If US Dollars depreciates, the book value of the US Dollars denominated assets depreciates accordingly which results in losses. Such loss was partially offset by the foreign exchange gains from the overseas procurement for the amount of approximately RMB0.5 million.

Any future significant fluctuations in exchange rates will result in increases or decreases in our reported costs and earnings, and, accordingly, our business, financial condition, results of operations and prospects. If there is any material fluctuation in the exchange rates of one currency that we use to settle our payables against the other currency we received from our customers, and if we are unable to pass on the exchange risk to our customers, our results of operations and financial condition may be adversely affected. We currently do not have a foreign currency hedging policy but we monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

We have certain non-compliance issues with inter-company loans, social insurance fund and housing provident fund during the Track Record Period

During the Track Record period, we entered into an inter-company loan agreement with Shineroad Industries which is in violation of the Lending General Provisions* (《貸款通則》) of the PRC.

During the Track Record Period, we have not fully contributed to the social insurance and housing provident fund for all of our employees in accordance with the relevant PRC laws and regulations. Pursuant to the relevant PRC laws and regulations, we may be ordered to pay the

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unpaid social insurance and housing provident fund within a prescribed time limit due to such non-compliances. Furthermore, relevant employees may take legal actions, such as filing arbitration claim against us in the future in respect of our failure to make contribution to the relevant social insurance for such employees. In such case, we may be required to assume relevant civil liabilities. Please refer to the section headed “Business — Litigations, claims and non-compliance — Non-compliance” in this prospectus.

Shareholders may face difficulties in protecting their interests because we are incorporated under Cayman Companies Law which may provide less protection to minority Shareholders than the laws of Hong Kong and other jurisdictions

We are incorporated in the Cayman Islands as an exempted company and substantially all of our assets are located outside of Hong Kong. Our corporate affairs are governed by our Memorandum and Articles of Association as well as the Cayman Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority Shareholders differ in certain respects from those in Hong Kong and other jurisdictions. Such differences may mean that our minority Shareholders may have less protection than they would otherwise have under the laws of Hong Kong or other jurisdictions.

RISKS RELATING TO THE INDUSTRY

The food ingredients and additives business may be subject to increasingly stringent licencing requirements, environmental protection regulations and hygiene standards, which can increase our operating costs

We are required to obtain food operations licence in the PRC for the conduct of our existing business. The PRC Government may revise the current regulations and policies unfavourably for our Group’s operations and business in the future. We cannot assure you that the licencing requirements for our operations in the PRC will not become more stringent in the future. Any imposition of onerous obligations on us to comply with licencing or permits requirements may increase our costs of operation and in turn adversely affect our profitability. Although our Group would try to comply with all relevant laws and regulations at all times, we cannot guarantee that we will be successful in registering or renewing all relevant licences required from time to time. Any change in compliance standards, or any new laws or regulations may prohibit us from conducting, or render it more restrictive for us to conduct our business. For example, we may be required to suspend our operations until the relevant licences are issued or even cease certain aspects of our business if we fail to obtain such licences for reasons that may go beyond our control. Any failure to comply with the existing regulations or future legislative changes could require our Group to incur significant compliance costs or expenses or result in the assessment of damages, imposition of fines against us or suspensions of some or all of our business, which could materially and adversely affect our financial condition and results of operations.

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Intense competition in the food distribution industry could prevent us from increasing or sustaining our revenue and profitability

The food distribution industry in the PRC is competitive and fragmented. According to the Frost & Sullivan Report, the competition in the industry is keen, with over 8,000 of food ingredients distributors and over 2,000 food additives distributors competing for business. This may prevent us from increasing or sustaining our revenue generating ability and profitability.

RISKS RELATING TO THE PRC

Changes in the PRC's economic, political and social conditions and government policies may have an adverse effect on us

All of our operating assets are located in the PRC and all of our revenues are derived from our operations in the PRC. Our results of operations and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC. The economy of the PRC differs from the economies of most developed countries in a number of respects, including the structure, the extent of government involvement, the level of development, the growth rate, the control of capital investment and control of foreign exchange.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented economic reforms and measures emphasising on the utilisation of market forces in the development of the PRC economy. Our Group cannot predict whether the changes in the PRC economic, political and social conditions, laws, regulations and policies will have any adverse effect on its current or future business, financial conditions or operation results. Moreover, our Group cannot assure that the policy of economic reform and the direction of reform towards market-oriented in the PRC will continue in the future. A variety of policies and other measures that could be taken by the PRC Government to regulate the economy could have a negative impact on our Group's business, including the introduction of measures to control inflation or reduce growth, changes in the interest rate or method of taxation. Our Group's business, financial conditions and operation results may be adversely affected by the PRC Government's economic, political and social policies and regulations.

The legal system of the PRC may not be fully developed, and there may be inherent uncertainties which may affect the protection afforded to our business and our Shareholders

Since our assets and operations are located in the PRC, they are governed by the PRC legal system. The PRC legal system is based on the civil law system and the interpretations by the Standing Committee of the National People's Congress. Prior court decisions may be used for reference but have limited precedential value. Since 1979, the PRC Government has established a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs and matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new, and the implementation and interpretation of these laws and regulations remain

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uncertain in many areas. In addition, the PRC legal system is based in part on government policies and administrative rules, the PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, their decisions may even have a retroactive effect. Since we are not able to predict the effect of future legal developments in the PRC, the uncertainties may affect our judgment on the relevance of legal requirements and our decisions on the measures and actions to be taken to fully comply with, and may affect our ability to realise our contractual and tort rights.

Government control of currency conversion and changes in the exchange rate between the RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends

Most of our revenue is settled in RMB. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE provided that certain procedural requirements are satisfied. However, approval from SAFE or its local counterpart is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Since a significant amount of our future cash flows from operations will be denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside China or fund our business activities that are conducted in foreign currencies. In addition, if the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders, which would adversely affect the value of your investment.

Effect of changes in the PRC laws and regulations in respect of food safety and consumer protection may adversely and materially affect our Group's operation and profitability

Our Group's operations are subject to relevant PRC laws, rules and regulations in particular in respect of food safety and consumer protection such as the Food Safety Law of the PRC, the Product Quality Law of the PRC* (《中華人民共和國食品安全法》), the Regulations on Supervision and Administration of Quality Safety of Dairy Products* (《乳品質量安全監督管理條例》), the Measures for the Administration of New Varieties of Food Additives* (《食品添加劑新品種管理辦法》) and the Regulations on the Supervision and Inspection of Implementation of Main Responsibilities of Quality Safety of Food Production and Processing Enterprise* (《食品生產加工企業落實質量安全主體責任監督檢查規定》) etc. Any change in the food safety laws and regulations such as the prohibition of chemicals used in food products may adversely affect the market demand of the products currently offered by our Group.

RISK FACTORS

If our Group fails to comply with any change in the relevant laws and regulations, our Group may be subject to penalties or even suspension or closing down of our business by relevant authorities. Furthermore, compliance with any amended law or regulation may force our Group to incur significant capital expenditure, which may adversely and materially affect our Group's operation and profitability.

It may be difficult to effect service of process or to enforce foreign judgments in the PRC

Substantially, all of our assets and operations are located in the PRC. In addition, most of our Directors and executive officers reside within China. Therefore, investors may encounter difficulties in effecting service of process from outside the PRC upon us or our Directors and officers. Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject to uncertainties. A judgment of a court from a foreign jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if the judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requisite requirements.

The Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商案件判決的安排》) which came into effect on 1 August 2008. Under the arrangement, a party with an enforceable final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. A choice of court agreement in writing is defined as any agreement in writing entered into between the parties after the effective date of the arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not agree to enter into a choice of court agreement in writing. As a result, it could be difficult or impossible for investors to effect service of process against our PRC subsidiaries in order to seek recognition and enforcement of Hong Kong judgments in the PRC.

PRC regulations relating to loans and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of this Share Offer to contribute additional capital or make loans to our PRC subsidiaries

To utilise the proceeds from the Share Offer or any further offerings in the future, as an offshore holding company of our PRC subsidiaries, we may make loans or additional capital contributions to the PRC subsidiaries. Any foreign loans invested are subjected to PRC laws, regulations and foreign exchange loan registrations. For example, loans to finance the PRC subsidiaries' activities cannot exceed statutory limits and must be registered with SAFE or its local counterpart.

RISK FACTORS

We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds from the Share Offer to capitalise or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholder or our PRC subsidiaries to liabilities or penalties, limit our ability to inject capital into our PRC subsidiaries or limit the ability of our PRC subsidiaries to distribute profits to us, or otherwise adversely affect our financial position

SAFE issued Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by domestic Residents in China via Special-Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, which became effective on July 4, 2014. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a “special purpose vehicle”. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. If a shareholder who is a PRC citizen or resident does not complete the registration with the local SAFE branches, the PRC subsidiaries of the special purpose vehicle may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the special purpose vehicle, and the special purpose vehicle may be restricted to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above may result in liabilities for the PRC subsidiaries of the special purpose vehicle under PRC laws for evasion of applicable foreign exchange restrictions, including (1) the requirement by the SAFE to return the foreign exchange remitted overseas within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive and (2) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Circular 13, which came into effect on June 1, 2015, pursuant to which, local banks shall review and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37, while the application for remedial registrations shall still be submitted to, reviewed and handled by the relevant local branches of SAFE.

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We cannot assure you that any PRC resident who may become our Shareholder or beneficial owner of our Shares in the future will be able to comply with SAFE Circular No. 37 in a timely manner or at all. A failure by any of our Shareholders or beneficial owners of our Shares who are PRC residents to comply with these regulations and rules will subject us to fines or legal sanctions.

Our Group faces tax risks with respect to the indirect transfers of equity interests in the PRC resident enterprises in connection with the Reorganisation

On 6 February 2015, SAT has promulgated the Bulletin on Several Issues concerning the Enterprise Income Tax (“EIT”) on Indirect Asset Transfer by Non-Resident Enterprises (Bulletin [2015] No. 7, “Bulletin 7”) (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》). Bulletin 7 is the latest regulatory instrument on indirect transfer and replace certain provisions of two previous sets of guidance issued in 2009 and 2011: the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-Resident Enterprises ([2009] Circular 698, “Circular 698”) (《關於加強非居民企業股權轉讓企業所得稅管理的通知》) and the Bulletin on Several Issues Concerning the Administration of Income Tax on Non-resident Enterprises (Bulletin [2011] No. 24, “Bulletin 24”) (《關於非居民企業所得稅管理若干問題的公告》). Tax matters occurred but have not been settled before 3 February 2015, the date of implementation of Bulletin 7, shall be governed by Bulletin 7.

Pursuant to Bulletin 7, an indirect transfer of equities and other assets of a Chinese resident enterprises (“Chinese taxable assets”) conducted by non-resident enterprises through arrangements that do not have reasonable commercial purposes, which results in avoidance of EIT, shall be deemed as direct transfer of Chinese taxable assets and thus subject to tax in the PRC.

In connection with the Reorganisation, our Group conducted transactions that may be deemed to be indirect transfers of equity interests in the PRC subsidiaries. If the relevant PRC tax authorities hold that these transactions do not have reasonable commercial purpose and were conducted for the purpose of avoiding PRC tax, our Group may incur PRC tax liability for such transaction. However, it remains unclear how the PRC tax authorities will implement and enforce Bulletin 7 and whether it will subject our Group to any PRC tax liabilities.

We rely on dividend paid by our PRC subsidiary for our cash needs, and limitations on the ability of our PRC subsidiary to pay dividends to us could have a material adverse effect on our business, prospects, financial condition and results of operations

We are a holding company incorporated in the Cayman Islands and conduct substantially all of our operations through our PRC subsidiary. We will rely on dividends paid by our PRC subsidiary for our future cash needs that cannot be provided by equity issuance or borrowings outside of the PRC, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses in excess of such amounts will depend on dividends from our PRC subsidiary. Under the PRC laws, payment of dividends is only permitted out of accumulated profits according to PRC accounting standards and regulations, and subsidiaries in the PRC are also required to set aside part of their after-tax profits to fund certain reserve funds that are not distributable as cash dividends. As a result, our PRC

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subsidiaries will be restricted in their ability to transfer the net profits to us in the form of dividends. Other factors such as cash flow conditions, restrictions on distributions contained in the PRC subsidiaries' articles of associations, restrictions contained in any debt instruments, withholding tax and other arrangements will also affect the ability of our subsidiaries in the PRC to make distributions to our Company. If our PRC subsidiaries cannot pay dividends due to government policy and regulations or contractual restrictions, or because they cannot generate the requisite cash flow, we may not be able to pay dividends, service our debt or pay our expenses, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

RISKS RELATING TO THE SHARE OFFER

Historical dividends are not indicative of our Group's future dividends

For each of the three years ended 31 December 2015, 2016 and 2017, the subsidiaries of our Company has declared dividends of RMB37.0 million, nil and approximately RMB59.0 million, respectively, to our then equity holders. The value of dividends declared and paid in previous years should not be relied on by potential investors as a guide to the future dividend policy of our Group or as a reference or basis to determine the amount of dividends payable in the future. There is no assurance that dividends will be declared or paid in the future, at a similar level or at all. The amount of any dividends to be declared in the future will be subject to, among other factors, our Directors' discretion, having taken into account the substantial capital requirements of our Group in the foreseeable future, the availability of distributable profits, our Group's earnings, working capital, financial position, capital and funding requirements, the applicable laws and other relevant factors.

In any event, there is no assurance that our Company will receive sufficient distribution from our subsidiaries to support any future profit distribution to our Shareholders, or that the amounts of any dividends declared by our Company in the future, if any, will be of a level comparable to dividends declared and paid by us in the past, or by other listed companies in the same industry as our Group.

There has been no prior public market for the Shares and the liquidity, market price and trading volume of the Shares may be volatile

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal in, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Factors such as variations in our Group's revenues, earnings and cash flows, strategic alliances or acquisitions made by our Company or our Group's competitors, industrial or environmental accidents suffered by our Group, loss of key personnel, litigation or fluctuation in the market prices for our Group's products or raw materials, the liquidity of the market for the Shares, the general market sentiment regarding the industry could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of

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our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, you may not be able to sell the Shares at or above the Offer Price.

Investor may experience dilution if our Company issues additional Shares in the future

Our Company may issue additional Shares upon exercise of the options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

In addition, our Company may need to raise additional funds in the future to finance business expansion or new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

Any disposal by the Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. Our Group cannot predict the effect, if any, of any future sales of the Shares by any of our Controlling Shareholders, or that the availability of the Shares offered by any of the Controlling Shareholders for purchase may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

RISKS RELATING TO THIS PROSPECTUS

Statistics and industry information contained in this prospectus may not be accurate and should not be unduly relied upon

Certain facts, statistics, and data presented in the section headed "Industry Overview" and elsewhere in this prospectus relating to the industry in which our Group's operation have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. Our Company believes that the sources of the information are appropriate sources for such information, and the Sole Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors and the Sole Sponsor, their respective affiliates or advisers nor any parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information

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and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

The future results could differ materially from those expressed or implied by the forward-looking statements

Included in this prospectus are various forward-looking statements that are based on various assumptions. The future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking statements” in this prospectus.

Investors should read this entire prospectus carefully and our Company strongly cautions you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Share Offer including, in particular, any financial projections, valuations or other forward looking statement

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to our Group and the Share Offer that is not set out in this prospectus. Our Company wishes to emphasise to potential investors that neither our Company nor any of the Sole Sponsor, the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “Professional Parties”) involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by our Company or any of the Professional Parties. Neither our Company nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. Our Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, our Company disclaims any responsibility, liability whatsoever in connection therewith or resulting therefrom.

Accordingly, prospective investors should not rely on any such information in making your decision as to whether to invest in the Offer Shares. You should rely only on the information contained in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Share Offer, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Our principal business operations are primarily located, managed and conducted in the PRC. All our executive Directors and senior management members are based in the PRC as we believe it is more effective and efficient for our executive Directors and senior management to be based in a location where we have significant operations. We therefore do not, and in the foreseeable future will not, have a management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

- (a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, namely Mr. Huang and Mr. Qin Wenzhong. The authorised representatives will act as our principal channel of communication with the Stock Exchange. The authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;
- (b) each of the authorised representatives will have all necessary means to contact all the Directors promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters. We will implement a policy whereby:
 - (i) each Director must provide his or her mobile phone number, office phone number, facsimile number and email address to these authorised representatives; and
 - (ii) in the event that a Director expects to travel and or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to these authorised representatives;
- (c) we shall promptly inform the Stock Exchange of any changes on the authorised representatives;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) each Director must provide his or her mobile phone number, office phone number, facsimile number and email address (if applicable) to the Stock Exchange;
- (e) we have appointed a compliance adviser pursuant to Rule 3A.19 of the Listing Rules to act as our additional channel of communication with the Stock Exchange and the representative(s) of the compliance adviser will be fully available to answer enquiries from the Stock Exchange. The compliance adviser will have access at all times to the authorised representatives, the Directors and the other senior management of our Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Stock Exchange in respect of our Company; and
- (f) all Directors (including the independent non-executive Directors) who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong prior to the Listing and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into certain transactions which would constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules after the Listing. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in “Connected Transactions” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) 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 our Group. 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, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ABOUT THE SHARE OFFER

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other person involved in the Share Offer.

Each person acquiring the Offer Shares will be required, and is deemed by his/her/its subscription of the Offer Shares, to confirm that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he/she/it is not subscribing, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer which is sponsored by the Sole Sponsor. The Offer Shares will be fully underwritten by the Public Offer Underwriters. The Placing Shares will be fully underwritten by the Placing Underwriters pursuant to the Placing Underwriting Agreement. For further information about the underwriting arrangements, please refer to the section "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms 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, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the U.S., except in compliance with the relevant laws and regulations of such jurisdiction.

APPLICATION FOR LISTING 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 the Offer Shares to be issued pursuant to the Share Offer (including any additional Shares which may be issued under the Capitalisation Issue and any Share which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

PROFESSIONAL TAX ADVICE RECOMMENDED

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to the Placing Shares, they should consult an expert. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Placing accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to the Placing Shares.

REGISTER OF MEMBERS AND STAMP DUTY

The Shares may be registered on the principal register of members in the Cayman Islands or on the branch register of members of our Company in Hong Kong. Only Shares registered on the branch register of members maintained in Hong Kong may be traded on the Stock Exchange, unless the Stock Exchange otherwise agrees. All the Shares will be registered on the branch register of

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

members of our Company in Hong Kong. Dealings in the Shares registered on the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. The Shares are freely transferable.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange 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 such other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional advisers for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after a trading transaction.

All necessary arrangements have been made for the Shares to be admitted to CCASS.

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on 27 June 2018.

Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares is 1587.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

LANGUAGE

If there is any inconsistency between the English prospectus and the Chinese translation of the English prospectus, the English prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

EXCHANGE RATE

Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, Hong Kong dollar amounts have been translated using following rates:

RMB1 = HK\$1.22

US\$1 = HK\$7.85

No representation is made that any amounts in RMB or US\$ or HK\$ were or could have been converted at the above rate or at any other rates or at all.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Huang Haixiao (黃海曉)	Room 3005, No. 4, Alley 366 Pu Cheng Road Shanghai PRC	Chinese
Mr. Li Junkui (李俊奎)	Room 1102, No. 68, Alley 789 Ying Kou Road Yang Pu District Shanghai PRC	Chinese
Non-executive Director		
Ms. Huang Xin Rong (黃欣融)	Flat C, 12/F, The Java 98 Java Road Hong Kong	Canadian
Independent Non-executive Directors		
Mr. Tan Wee Seng (陳偉成)	136-101 Lane Bridge Villa 9 Lai Guang Ying East Road Chaoyang District Beijing PRC	Malaysian
Mr. Chan Ka Kit (陳家傑)	Flat C, 9/F, Oxford Court Block 2, 24 Braemar Hill Road North Point, Hong Kong	Chinese
Mr. Meng Yuecheng (孟岳成)	Flat 1503, Tower 1 212 Xueyuan Road Xihu District Hangzhou PRC	Chinese

Note: Further information is disclosed in the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Cinda International Capital Limited

45th Floor
COSCO Tower
183 Queen's Road Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

Cinda International Capital Limited

45th Floor
COSCO Tower
183 Queen's Road Central
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited

20/F, Wing On Centre
111 Connaught Road Central
Hong Kong

Supreme China Securities Limited

Suites 2701-2, 27/F
Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

Co-Lead Managers

Golden Rich Securities Limited

22/F, Siu On Centre
188 Lockhart Road
Wan Chai
Hong Kong

Lego Securities Limited

Room 301, 3/F
China Building
29 Queen's Road Central
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Long Asia Securities Limited

Unit A, 23/F
The Wellington
198 Wellington Street
Sheung Wan
Hong Kong

Shun Loong Securities Company Limited

1801, 18/F
Lee Garden Five
18 Hysan Avenue
Causeway Bay
Hong Kong

Wellington Financial Limited

Unit B, 10/F
128 Wellington Street
Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law:

Loong & Yeung Solicitors

Room 1603, 16th Floor
China Building
29 Queen's Road Central
Central
Hong Kong

As to the PRC law:

Beijing Dacheng Law Offices, LLP (Shanghai)

15th/16th Floor, Shanghai Tower
501 Yincheng Road M
Pudong New Area
Shanghai 200120
PRC

As to Cayman Islands law:

Appleby

2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to the Sole Sponsor and the Underwriters	<p><i>As to Hong Kong law:</i> Khoo & Co. 2nd & 5th Floor Tern Centre Tower 2 251 Queen's Road Central Hong Kong</p> <p><i>As to the PRC law:</i> King & Wood Mallesons 17th Floor, One ICC, Shanghai ICC 999 Middle Huai Hai Road Xuhui District Shanghai 200031 PRC</p>
Auditors and reporting accountants	<p>Ernst & Young <i>Certified Public Accountants</i> 22/F, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong</p>
Industry Consultant	<p>Frost & Sullivan Limited 1706, One Exchange Square 8 Connaught Place Central Hong Kong</p>
Compliance Adviser	<p>Cinda International Capital Limited 45th Floor COSCO Tower 183 Queen's Road Central Hong Kong</p>
Receiving banker	<p>Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong</p>

CORPORATE INFORMATION

Registered Office	PO Box 1350, Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters in the PRC	25th Floor South Block 1 Zhongyou Building Lane 1040 Caoyang Road Putuo District Shanghai China
Principal Place of Business in Hong Kong	Unit 6, 16/F K. Wah Centre 191 Java Road Hong Kong
Company Secretary	Mr. Qin Wenzhong (<i>HKICPA</i>) Room 201, No. 44, Alley 555 Wen Xi Road Shanghai PRC
Authorised Representatives (for the purpose of the Listing Rules)	Mr. Huang Haixiao Room 3005, No. 4, Alley 366 Pu Cheng Road Shanghai PRC Mr. Qin Wenzhong Room 201, No. 44, Alley 555 Wen Xi Road Shanghai PRC
Audit Committee	Mr. Tan Wee Seng (<i>Chairman</i>) Mr. Chan Ka Kit Mr. Meng Yuecheng
Remuneration Committee	Mr. Tan Wee Seng (<i>Chairman</i>) Mr. Chan Ka Kit Mr. Meng Yuecheng

CORPORATE INFORMATION

Nomination Committee	Mr. Huang Haixiao (<i>Chairman</i>) Mr. Tan Wee Seng Mr. Meng Yuecheng
Cayman Islands Principal Share Registrar and Transfer Office	Estera Trust (Cayman) Limited P.O. Box 1350, Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong Share Registrar and Transfer Office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal Banker	China Construction Bank Corporation Shanghai Fengxian Branch 332 Liberal Road Central, Nanqiao Town Fengxian District, Shanghai, PRC
Company Website Address	http://www.shineroad.com (<i>note</i>)

Note: The information contained on the website does not form part of this prospectus.

INDUSTRY OVERVIEW

The information contained in this section and elsewhere in this prospectus have been derived from various official government and other publications generally believed to be reliable and the market research report 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 Joint Bookrunners, the Joint Lead Managers, 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. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this section and elsewhere in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.

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 food ingredients and additives distribution market in the PRC. The report prepared by Frost & Sullivan for us is referred to in this prospectus as the Frost & Sullivan Report. We agreed to pay Frost & Sullivan a fee of HK\$230,000 which we believe reflects market rates for reports of this type. 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. We have included certain information from the Frost & Sullivan Report in this prospectus because we believe this information facilitates an understanding of the food ingredients and additives distribution market in the PRC for the prospective investors. The Frost & Sullivan Report includes information on the food ingredients and additives distribution market in the PRC as well as other economic data, which have been quoted in the prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the food ingredients and additives distribution market in the PRC. 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 noted, 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 research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the food ingredients and additives distribution market in the PRC. Our Directors, after due and reasonable consideration, 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.

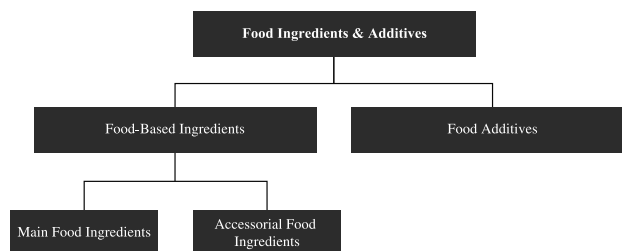
OVERVIEW OF FOOD INGREDIENTS DISTRIBUTION MARKET IN THE PRC

Definition and Classification

Food ingredients are edible substances that are used in preparing a dish or food product. Food-based ingredients refer to processed or small quantities of edible natural substances. Raw materials of the food ingredients are all natural substances which generally do not have a restriction of usage amount and can improve the quality of food and the processing performance.

Food-based ingredients can be further classified into two categories, namely (i) main food ingredients and (ii) accessorial food ingredients. Main food ingredient includes meat based, fish based, fruit based and dairy based ingredients etc. whereas accessorial food ingredients include starch, modified starch, starch sugar, sugar alcohol, special flour, yeast products, oligosaccharides, proteins, cocoa products, other functional food ingredients etc.

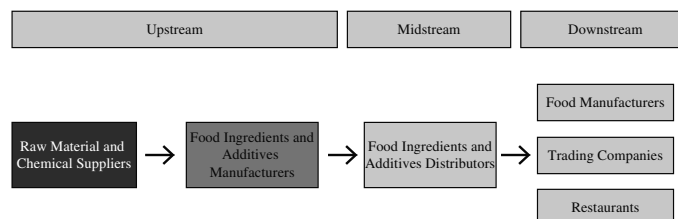
INDUSTRY OVERVIEW



Source: Frost & Sullivan

Value Chain Analysis

Set out below is the value chain of food ingredients and additives distribution market in the PRC.



Source: Frost & Sullivan

The value chain of food ingredients and additives distribution market consists of various stakeholders including upstream raw material supplier and manufacturers, midstream distributors and downstream customers. In general, distributors would source desirable food ingredients and additives that fulfil market trends and demand from manufacturers in local and worldwide market. Exclusive distributorship may also be established between manufacturers and distributors due to (i) stable supply of goods from manufacturers, (ii) distributors may resell the products via own sales network with a wide geographical coverage and (iii) synergy is created between manufacturers and distributors by selling renowned and quality ingredients and additives which are favourable to customers. Food ingredients and additives manufacturers may rely on several key distributors in the industry by granting exclusive distributorship or a limited number of non-exclusive distributorships to selected distributors while the other distributors or trading companies may not have direct access to food ingredients and additives from these manufacturers. Furthermore, some sizable and multinational food ingredients and additives manufacturers generally demonstrate a preference towards cooperating with several key distributors with proven capability and track record in selling their products. On the other hand, trading activities for food ingredients and additives between food ingredients and additives manufacturers and distributors are common in the PRC market. Apart from selling manufactured food products to distributors, manufacturers would also procure food ingredients and additives from distributors to use as raw materials for its manufacturing process. Similarly, distributors may sometimes be required to source specific brands of food ingredients and additives from their existing customers based on other customers' requests.

Food additives and ingredients manufacturers rely on the distributors to put the products into the market due to following benefits:

1. With extensive distribution and sales network covering the whole PRC market, including first-tier cities, second-tier cities and third-tier cities, food ingredients and additives manufacturers are able to reach downstream customers across the country.
2. Distributors are required to make payment for each purchase order before delivery of product, except for credit terms granted. Credit risk is therefore partly shifted from manufacturers to distributors.
3. Keep track of the market trends and formulate the sales and marketing strategy.

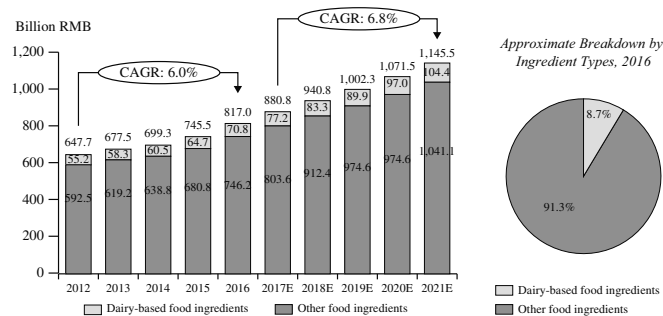
Our Group mainly sources and supplies food ingredients and additives to food manufacturers such as confectionery manufacturers, dairy products manufacturers and bakery products manufacturers, as well as trading companies and restaurants in the PRC.

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Market Size

Market size of food ingredients distribution by revenue in the PRC has shown a steady growth from approximately RMB647.7 billion in 2012 to approximately RMB817.0 billion in 2016 at a CAGR of 6.0%. The growth in food ingredients in the PRC was mainly attributed to the increasing demand for food products driven by the rising population and improving living standard in particular the major tier 1 and tier 2 cities in the PRC. Meanwhile, dairy-based food ingredients has recorded a growth from approximately RMB55.2 billion in 2012 to approximately RMB70.8 billion in 2016, at a CAGR of 6.4%. Dairy-based food ingredients accounted for approximately 8.7% of the overall food ingredients market and the growth was mainly driven by the surging demand for dairy products and increasing diversities of the dairy products in consumer market. The market size of food ingredients distribution by revenue in the PRC is expected to reach RMB1,145.5 billion in 2021, at a CAGR of 6.8% from 2017 to 2021 driven by the expansion of e-commerce and continuous growth of population.

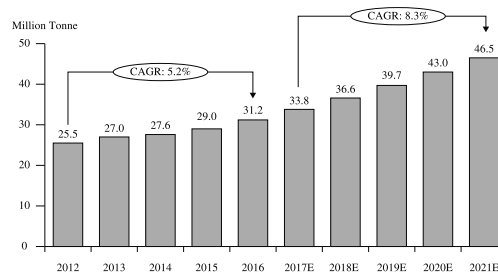
Market Size of Food Ingredients Distribution by Revenue (the PRC), 2012–2021E



Source: Frost & Sullivan

The market size of dairy products manufacturing by production volume in the PRC has registered a growth from approximately 25.5 million tonne in 2012 to approximately 31.2 million tonne in 2016, at a CAGR of 5.2% which was mainly driven by the increasing urbanisation in China and the increasing demand for dairy products in the consumer market as the state government guidelines recommend the consumption of milk in the PRC and programmes promoting the consumption of milk in schools. The market size of dairy products manufacturing by production volume in the PRC is expected to reach approximately 46.5 million tonne in 2021, representing a CAGR of 8.3% during 2017 to 2021. The growth is primarily supported by improving living standards and diets which become more closely aligned with more developed cities in the PRC, which subsequently benefits the distribution business of dairy-based food ingredients in the PRC.

Market Size of Dairy Products Manufacturing by Production Volume (the PRC), 2012–2021E



Source: Frost & Sullivan

Market Driver

Increasing consumption in dairy products — With rising GDP per capita and improving standards of living in the PRC, evolving consumer trends such as the demand for healthy and ‘clean label’ products, rising calories intake from proteins as opposed to basic carbohydrates are stimulating consumption of dairy products in the PRC. According to National Bureau of Statistics

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of China, the overall consumption of dairy products in the PRC has seen a steady growth as supported by the increasing dairy production volume in the PRC from 25.5 million ton in 2012 to 29.9 million ton in 2016, representing a CAGR of 4.1%. Thus, the steady growth of the consumer market for dairy products is driving the entire supply chain from food ingredients manufacturers and distributors to food processors.

Improving information flow — The rapid development of the food ingredient industry in China, it has seen that increasing number of exhibitions and trade shows such as Food Ingredients China (中國國際食品添加劑和配料展覽會), China Food Ingredients and Additives Year Book Seminar (中國食品添加劑及食品配料年鑒研討會) etc., are being held in recent years to connect the industry practitioners such as the food products manufacturers, distributors, processors etc. These events have provided platforms to foster communication and flow of information and also to share latest market development across the entire industry which provide a strong driving force to the food ingredient industry in China.

Market Trend

Diversifying formulation and application of food ingredients — The food products market in the PRC is highly competitive, therefore, it is vital for the food manufacturers to adapt to the ever-changing consumer tastes preferences and develop new food products to broaden their product portfolios in order to meet the needs of various consumer groups. Thus, as the suppliers for the food products manufactures, food ingredients distributors are proactively acquiring market information and strive to offer a more comprehensive sourcing service for the manufacturers. The stronger market players which possess in-house research and development ability in the food ingredient distribution market would also provide an integrated food manufacturing solution service for the manufacturers to differentiate themselves from other traditional food ingredients distributors.

The expansion of e-commerce — E-commerce is one of the major trends in the food ingredients distribution industry as e-commerce has enhanced the connectivity between food products manufacturers and food ingredients distributors. E-commerce has allowed the food distributors to reach out to the global food products manufactures and to source food ingredients from around the globe. It is expected that e-commerce will continue to penetrate the food ingredients distribution industry and encourage the robust development of the market.

Future Opportunities and Challenges

Growth in health food market — It is mentioned in the “Outline of the Programme for Food and Nutrition Development in China (2014–2020)” (《中國食物與營養發展綱要(2014–2020年)》) that the state will actively raise the nutrient intake of its people, and will make the development of health food, nutrient fortified food and dairy products one of its priorities with a key goal of achieving a per capita annual milk consumption of 36kg by 2020. According to Food and Agriculture Organisation of the United Nations (“FAO”), milk is a major source of dietary energy, high-quality protein and fat with other essential vitamins and minerals, including calcium, magnesium, selenium, riboflavin, vitamin B12 and pantothenic acid, which contribute to the required nutrient intake for human. In addition, components in dairy products including calcium and polyunsaturated fatty acids may reduce the risk of coronary heart disease. According to FAO, majority of review studies concluded that consumption of low-fat milk and total dairy product may contribute to reduction of cardiovascular diseases. As dairy product is one of the major source of protein and a kind of health food, it is expected that the demand for dairy products will be driven by the robust development of China’s health food market. Thus, it is a great growth opportunity for the food ingredient distributors which specialised in dairy products and other nutrients to capture a larger market share.

Continued consumers concern on food safety — Food safety has always been one of the major concerns of consumers in China. Since 2013, China has embarked a comprehensive review on food safety and agricultural standards with the aim to improve food security and gain consumer confidence in the food market in China. Thus, with the changing regulatory environment in food products industry in China, food ingredient distributors should keep abreast of the latest regulatory changes and pay more attention to the quality of the ingredients when selecting food ingredients suppliers and manufacturers.

COMPETITIVE LANDSCAPE OF FOOD INGREDIENTS DISTRIBUTION MARKET IN THE PRC

Overview of Competitive Landscape

The food ingredients distribution industry in the PRC is considered as a highly fragmented and competitive market with over 8,000 players and there were no dominant players in the market. The larger distributors in the PRC market usually have an extensive distribution network across the country with major multi-national brands as suppliers whereas the smaller market players usually adopt a localisation strategy to focus on a few major cities. As the food ingredients tend to be homogenous among distributors, it is essential for the food ingredients distributors to differentiate themselves. Apart from price competition, some food ingredients distributors are reputable for specialising in one or a few categories of food ingredients so that they become market specialists while some would offer value-added services to the clients so as to consolidate the relationship with the clients. In 2016, the Group accounted for approximately 0.04% market share of the overall food ingredients distribution market in the PRC.

Entry Barrier Analysis

Substantial up-front cost — Substantial up-front cost serves as the entry barrier to the food ingredients and distribution industry in the PRC, which requires a massive capital in establishing the extensive logistic distribution infrastructure, including warehouses and inventory facilities. Apart from up-front investment, working capital is required to place orders from manufacturers and grant credits to customers. In addition, distributors also perform research & development and analysis of market trends. It is therefore difficult for new entrants to start and sustain their business without the necessary financial standing.

Technology expertise and market know-how — The food ingredients and additives distributors would need to have solid technology knowhow to understand the industry trend and provide value-added services for the food products manufacturers. Also, as the food products market is dynamic, the market experience and know-how in the food additives and ingredient distribution market is one of the key factors to survive in the industry. The market players would need to possess to market expertise to adapt to the industry changes and upgrades.

Extensive sales and distribution network — Extensive sales and distribution network is the indispensable asset among food additives and ingredients distributors in the PRC. It enables manufacturers to reach a greater client portfolio, while leveraging the breadth and depth of market. With the well-established sales and distribution network, time and cost could be saved from manufacturing, sales and distribution to application. New entrants without complete distribution channel would find it hard to stand out in the food ingredients and additives distribution market in the PRC.

OVERVIEW OF FOOD ADDITIVES DISTRIBUTION MARKET IN THE PRC

Definition and Classification

According to United States Food and Drug Administration (FDA), food additives are any substances added to food for the purposes of flavour preservation, taste enhancement, appearance and safety improvement, which are commonly used in the production, processing, treatment, packaging, transportation and/or storage of food. There are two major categories of food additives, including (i) direct food additives which intentionally added to food for a specific functional purpose in controlled amount, while (ii) indirect food additives refer to substances that unintentionally become part of the food in trace amounts through packaging, storage or other handling.

According to World Health Organisation (WHO), food additives could be divided into three categories, namely flavouring agents, enzyme preparations and other additives, based on their function.

1. Flavouring agents are added to food to improve aroma or taste. Flavouring agents are used in a wide variety of foods, from confectionery and soft drinks to cereal, cake, and yoghurt.
2. Enzymes are naturally-occurring proteins that boost biochemical reactions by breaking down larger molecules into their smaller building blocks. They are mainly used in baking, for manufacturing fruit juices, in wine making and brewing, as well as in cheese manufacturing.

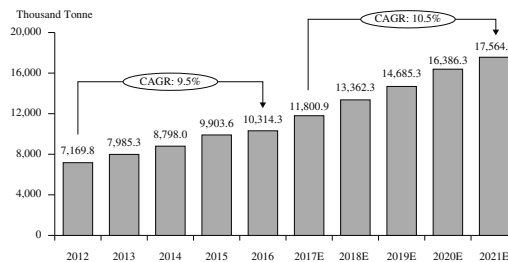
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- Other food additives are used for a variety of purposes, such as preservation, colouring and sweetening. Preservatives can slow down decomposition caused by mould, air, bacteria or yeast. Colourant is added to food to replace colours lost during preparation, or to make food look more attractive. Non-sugar sweeteners are often used as an alternative to sugar.

Market Size

The production volume of food additives in the PRC experienced an increase from approximately 7.2 million tonne in 2012 to approximately 10.3 million tonne in 2016, representing a CAGR of 9.5%. The growth was driven by the surging demand from food and beverage industry in the PRC and growing application of food additives in food production. With the development of multi-channel sales platform and rising requirements of customers, the production volume of food additives in the PRC is estimated to grow at a CAGR of 10.5% during 2017 to 2021, reaching 17.6 million tonne by 2021.

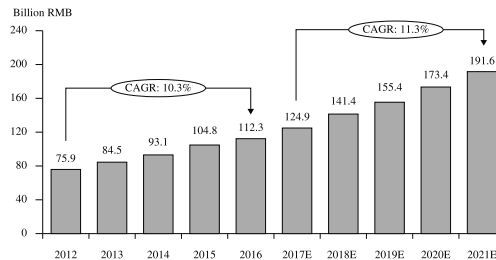
Market Size of Food Additives Manufacturing by Production Volume (the PRC), 2012–2021E



Source: Frost & Sullivan

Market size of food additives distribution by revenue in the PRC has grown significantly from approximately RMB75.9 billion in 2012 to RMB112.3 billion in 2016 at a CAGR of 10.3%. The growth in food additives distribution in the PRC was primarily attributable to the diversified usage of food additives, surging demand for food and beverage industry, and rising requirements of customers, resulting in a growth of related distribution business in the PRC. Along with increasing health consciousness of customers and development of new sales channel, market size of food additives distribution by revenue in the PRC is expected to continue growing from approximately RMB124.9 billion in 2017 to approximately RMB191.6 billion in 2021 at a CAGR of 11.3%.

Market Size of Food Additives Distribution by Revenue (the PRC), 2012–2021E



Source: Frost & Sullivan

Market Driver

Expansion of distribution network through multi-channels — Increasing number of market players in the food and beverage industry are embracing the multi-channel platform in sales and marketing strategy. Supported by deeper internet penetration, enhanced logistics infrastructure and changing consumption pattern of customers, the e-commerce platform has enjoyed the growth and become one of the major sales channels in the PRC. Some of the major food and beverage market players have set up their flagship online stores to sell a wide variety of products. The development of new sales channels has made a greater variety of food and beverage products accessible to consumers across the country, particularly in the second-tier and third-tier cities. Not only the customer base of the products is expanded, the customer's consumption pattern on food is also better measured

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and reflected on the food manufacturing, in which different kinds of food products are innovated and introduced to meet various market needs. It is expected that with further development of online sales channel, food and beverage manufacturers will develop differentiated production lines exclusively for customers in the e-commerce sales to cater for the different requirements between online and offline customers. The enhanced product quality of food additives enables increased shelf life, enriched nutrients, better preservation of texture and appearance, which serves as the key advantages and the reasons for the rising penetration in food manufacturing. Combined with the diversified and greater market demand, the food additives distribution industry would therefore enjoy the growth.

Growing demand for food and beverage industry and diversified usage of food additives — Driven by increasing disposable income and urbanisation, food and beverage industry in the PRC has been experiencing a strong growth. In the meantime, more and more food additives are introduced to the PRC market. The rise of food and beverage industry in the PRC is likely to stimulate the growth of food additives market. In addition, the diversified usage of food additives also contributes to the popularity. Nowadays, food additives are increasingly applied in different food products segment, namely bakery, meat & poultry, dietary supplement, beverage, dairy & milk and confectionery. According to National Bureau of Statistics of China, the number of sizable food additives manufacturers in the PRC increased for 747 in 2012 to 878 in 2015, demonstrating the growth of food additives market and therefore the distribution business. With food additives becoming an indispensable part of food and beverage industry and the rising number of food additives manufacturer in the PRC, the food additives distribution industry is expected to source more high quality of products from worldwide and receive an impetus from the booming demand.

Increasing health consciousness and requirements of customers — Increasing health consciousness and requirements of customers is one of the driving forces for the healthy development of food additives distribution industry in the PRC. Faced with food safety and quality becoming top concerns of consumers in the PRC, the food manufacturers tend to use more food additives in the food manufacturing, processing and packaging. Some food additives serve the function of improving or maintaining the food's nutritive value. Nutrients, such as vitamins, thiamine, niacin and riboflavin, are often added to foods. Besides, customer's higher requirement for quality of food also represents opportunities for food additives, which help create taste, texture, performance and appearance. As a result, the food additives distribution industry in the PRC is forecasted to grow accordingly.

Market Trend

More stringent regulation of food additives — Faced with rising food safety concerns, regulations of the use of additives content in food manufacturing have been issued by the PRC Government to sustain the industry development and standardise the industry practice. As set out in “Administration Measures of Food Additives” (《食品添加劑衛生管理辦法》), food additives manufacturer are required to apply for a food additives production license; conditions and procedures of applying for a licence shall be implemented in accordance with the relevant state regulations. On the other hand, higher food safety standards of food processing industry and stronger food safety governance are highlighted in the “National 13th Five-Year Plan for Food Safety” (《「十三五」國家食品安全規劃》). More stringent regulation of food additives is expected to elevate the industry standards and increase the entry barriers.

Consumption pattern upgrade — With rising standards of living, consumers in the PRC are shifting to the consumption pattern that heightens the quality of goods and user experience. Instead of price, the purchase decisions have become increasingly driven by brand awareness, product quality and design. Moreover, the changing consumption pattern is also featured by the diversity of customers' tastes, which leads to the development of extensive product portfolio in food and beverage industry. The consumption pattern upgrade is now the rising trends in the PRC and serves as a driver to the food additives industry where industry transformation is undergoing.

Future Opportunities and Challenges

Technical advancement of food additives — To keep abreast of market development, manufacturer established procedures and techniques to improve time and energy efficiency, as well as the quality of food additives. Advanced and efficient technology is being incorporated to

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production of food additives in the areas of research and development. In particular, food formula optimisation, research and production facilities become increasingly important. Sustained technological advancement further raises the production efficiency and industry standards of food additives. Food additives distributors in the PRC is expected to demonstrate an upgrade in technical know-how as well as service level to cope with the new specification and formulation of food ingredients and additives. Thus, distributors with high technical capability may take the advantage of trending technological advancement to stand out from market competition.

Fierce market competition — The food additives distribution industry in the PRC is remarked by the fierce competition arising from market trends and highly fragmented market with thousands of market players. Fierce competition may lead market players to substantially increase advertising expenditures and promotional activities or to engage in predatory pricing, which may result in price reduction, reduced margin, and loss of market shares. With the fierce market competition, the brand name of food additives may be undermined in the long term.

COMPETITIVE LANDSCAPE OF FOOD ADDITIVES DISTRIBUTION MARKET IN THE PRC

Overview of Competitive Landscape

The overall food additives distribution market in the PRC is highly fragmented. As estimated, there were approximately 2,000 food additives distributors in the PRC in 2016. Given the large number of market players and increased competition, there is no food additives distributor with substantial market shares in the PRC. In 2016, the Group recorded revenue of RMB196.8 million, accounting for an approximate market share of 0.2% in the food additives distribution market.

The strategies being adopted in the food additives distribution industry is sustained product innovation that meets the ever-changing market demand. More importantly, sizable food additives distributors are remarked by the function of supply chain integration, from market demand forecast based on data analytics, product sourcing from both international and domestic manufacturers, order placing from customers, and logistic delivery. Long-established relationship with international brands also comes as competitive edge to the food additives distributors. In response to the consumption upgrade, food additives from international brands are increasingly introduced to the PRC market. Having a stable and good working relationship with international food additives manufactures allows distributors to source most updated and various products across the globe, thereby ensuring the quality of products and number of selection.

Analysis of Demand for Sucrose Esters and Green Tea Powder

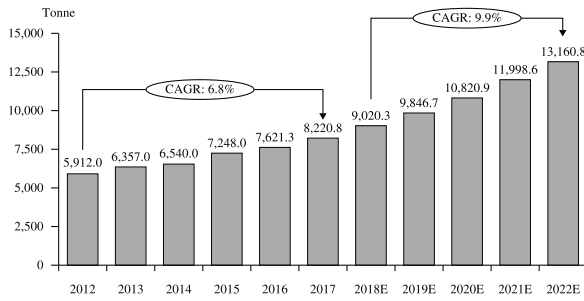
Sucrose ester possesses the property of emulsification and the ability to replace fat or act as low-fat alternatives in a wide range of food products such as bakery products, confectionery product, dairy products, cereals products etc. With the growing awareness towards health among Chinese consumers, the market demand for sucrose ester in the PRC is expected to rise in the next few years.

With the increasing popularity of tea beverages among Chinese consumers, a large number of boutique beverage serving shops such as tea serving places, coffee shops are gaining popularity in the PRC. According to National Bureau of Statistics of China, the revenue of enterprises engaged in manufacture of wine, beverages and refined tea has increased from approximately RMB1,340.5 billion in 2012 to RMB1,841.5 billion in 2016. Meanwhile, output of beverages increased from approximately 130.2 million ton in 2012 to approximately 183.5 million ton in 2016. The rising demand for tea beverages provides a huge growth momentum for the ingredients market of the derivatives from natural products such as green tea powder which might lead to possible inflation of the products in the next few years.

According to Frost & Sullivan, sales volume of sucrose esters had increased from approximately 5,912.0 tonne in 2012 to 8,220.8 tonne in 2017, representing a CAGR of 6.8%. On the other hand, the sales volume of green tea powder had increased from approximately 14,306.4 tonne in 2012 to 18,474.3 tonne in 2017, representing a CAGR of 5.2%. The sales volume of sucrose esters and green tea powder in the PRC are expected to increase at a CAGR of 9.9% and 5.8% respectively during 2018 to 2022.

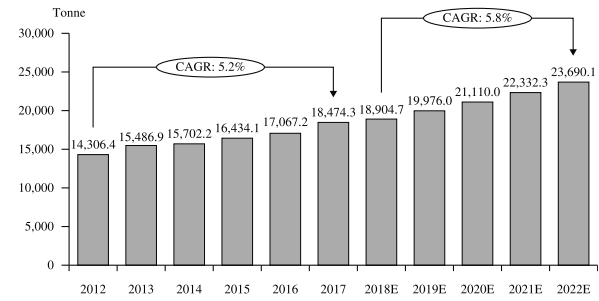
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Sales Volume of Sucrose Esters (the PRC), 2012–2022E



Source: Frost & Sullivan

Sales Volume of Green Tea Powder (the PRC), 2012–2022E



Analysis of Food Ingredients and Additives Distribution Market and Market Competition in Selected Provinces in the PRC

Total output value of food industry

	2013 (RMB billion)	2014 (RMB billion)	2015 (RMB billion)	CAGR (2013–2015)
Inner Mongolia Autonomous Region	226.7	256.4	273.3	9.8%
Shandong	1,500.0	1,650.0	1,690.0	6.1%
Liaoning	596.0	559.7	402.1	-17.9%
Shaanxi	184.7	215.7	244.3	15.0%
Sichuan	596.6	662.1	707.3	8.9%
Yunnan	88.4	101.4	105.0	9.0%
Hubei	635.9	720.0	793.5	11.7%

Note: Latest available figures were recorded in 2015

Source: China Food Industry Yearbook 2014-2016, Frost & Sullivan

Market Size of Food Ingredients Distribution by Revenue in Selected Provinces (the PRC), 2012–2021E

Unit = RMB billion	2012	2013	2014	2015	2016	CAGR (2012– 2016)	2017E	2018E	2019E	2020E	2021E	CAGR (2017E– 2021E)
Inner Mongolia Autonomous Region	29.7	29.8	32.3	35.2	38.2	6.5%	40.0	41.9	44.0	46.2	48.5	4.9%
Shandong	55.7	61.7	67.1	70.1	73.5	7.2%	80.1	87.0	94.4	102.1	110.1	8.3%
Liaoning	33.0	37.0	33.3	24.5	28.5	-3.6%	29.4	30.3	31.2	32.1	33.0	2.9%
Shaanxi	27.9	27.8	30.8	32.8	35.1	5.9%	36.7	38.4	40.2	42.2	44.3	4.8%
Sichuan	40.8	43.5	46.3	50.6	56.4	8.4%	60.1	64.0	68.2	72.5	77.1	6.4%
Yunnan	20.1	20.3	21.3	21.6	22.9	3.3%	23.6	24.3	25.1	26.0	26.9	3.3%
Hubei	35.2	37.1	40.3	45.5	50.3	9.3%	53.6	57.1	60.9	64.9	69.2	6.6%

Source: Frost & Sullivan

Market Size of Food Additives Distribution by Revenue in Selected Provinces (the PRC), 2012–2021E

Unit = RMB billion	2012	2013	2014	2015	2016	CAGR (2012– 2016)	2017E	2018E	2019E	2020E	2021E	CAGR (2017E– 2021E)
Inner Mongolia Autonomous Region	2.9	3.0	3.2	4.0	4.2	9.7%	4.6	5.2	5.7	6.8	7.5	13.0%
Shandong	9.1	10.5	12.2	13.5	13.8	11.0%	14.7	16.4	17.4	18.7	20.5	8.7%
Liaoning	4.3	5.2	5.0	3.9	4.0	-1.8%	4.6	4.5	4.8	5.0	5.4	4.1%
Shaanxi	2.9	3.1	3.7	4.2	4.3	10.3%	4.9	5.7	6.4	7.3	7.9	12.7%
Sichuan	5.0	5.7	6.2	7.1	7.5	10.7%	8.5	9.6	10.7	11.6	12.5	10.1%
Yunnan	1.9	2.1	2.3	2.5	2.6	8.2%	2.7	3.3	3.6	4.0	4.1	11.0%
Hubei	4.0	4.1	4.5	5.3	6.0	10.7%	6.5	7.8	8.2	9.0	10.2	11.9%

Source: Frost & Sullivan

According to National Bureau of Statistics of the PRC, the aggregate output value of animal husbandry in Yunnan, Sichuan, Shaanxi, Liaoning, Shandong and Hubei and Inner Mongolia Autonomous region recorded a growth from RMB1,014.2 billion in 2012 to RMB1,095.9 billion in 2017, representing a CAGR of 1.6%. In addition, the aggregate output value of animal husbandry in the aforesaid provinces and regions accounted for 36.2% of total value, out of 31 provinces and regions, in the PRC in 2017, reflecting the importance of supply of dairy products from these regions in the PRC. Similarly, the aggregate production volume of milk, which is considered one of

INDUSTRY OVERVIEW

the key ingredients of dairy product, accounted for approximately 40% of total production in PRC in 2016. In particular, Inner Mongolia Autonomous region is the leading province in the PRC for production of milk and dairy products, which accounted for over 20% of total production of milk in the PRC in 2016.

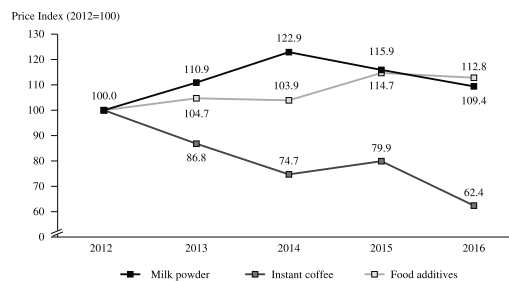
The market of food ingredients and additives distribution in Inner Mongolia Autonomous Region, Shandong, Liaoning, Shaanxi, Sichuan, Yunnan and Hubei are highly fragmented and competitive, attributable to the developed food industry and food processing enterprises in the aforesaid regions. According to Frost & Sullivan, established food ingredients and additives distributors generally developed a wide distribution network across different provinces in the PRC. In addition, distributors in close proximity to the provinces where major food additives and ingredients are produced are more advantageous in market competition due to (i) lower transportation cost for distribution to customers near the regions; (ii) implementation of direct sales and marketing strategy to build up connection of local suppliers and customers for food ingredients and additives, (iii) enhancement of service level and market presence through reduced response time to customers in the regions and (iv) capture the growing downstream food manufacturing market in the regions.

COST STRUCTURE ANALYSIS

Purchasing Cost of Materials

Set out below is the price index of milk powder, instant coffee and food additives, which were major key materials purchased by our Group, in the PRC during 2012 to 2016. The price index of milk powder registered a growth during 2012 to 2014, followed by a decline during 2014 to 2016. Price index of instant coffee recorded a declining trend throughout 2012 to 2016 while price index of food additives recorded a moderate growth during the same period of time.

Price Index of Selected Food Ingredients and Additives (the PRC), 2012–2016

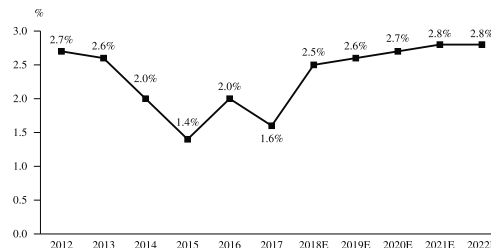


Source: Frost & Sullivan

Inflation Rate in the PRC

Below set forth the inflation rate in the PRC. According to International Monetary Fund, the inflation rate in the PRC is expected to increase from approximately 1.6% in 2017 to 2.5% in 2018, and is estimated to reach 2.8% in 2022.

Inflation rate based on average consumer price (the PRC), 2012–2022E



Source: International Monetary Fund, Frost & Sullivan

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The operation and business of the issuer are mainly conducted in the mainland of the PRC, for the avoidance of ambiguity, exclusive of Hong Kong Special Administrative Region, Macao Special Administrative Region of the PRC and Taiwan, and shall be widely supervised and managed by the PRC Government and governed by relevant laws, regulations, industrial policies and government regulatory policies. This section sets out the summary of relevant PRC laws, regulations and rules applicable to the operation and business of the issuer, including but not limited to the Company Law of the PRC* (《中華人民共和國公司法》), the Food Safety Law of the PRC, the Product Quality Law of the PRC* (《中華人民共和國食品安全法》), the Standardisation Law of the PRC* (《中華人民共和國標準化法》), the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》), the Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》), the Law of the People's Republic of China on Environmental Impact Assessment* (《中華人民共和國環境影響評價法》), the Regulations on Supervision and Administration of Quality Safety of Dairy Products* (《乳品質量安全監督管理條例》), the Measures for the Administration of New Varieties of Food Additives* (《食品添加劑新品種管理辦法》) and the Regulations on the Supervision and Inspection of Implementation of Main Responsibilities of Quality Safety of Food Production and Processing Enterprise* (《食品生產加工企業落實質量安全主體責任監督檢查規定》), etc., details of which are as follows:

LAWS AND REGULATIONS RELATED TO OUR COMPANY'S SUBSIDIARIES IN THE PRC

The Company Law of the PRC* (《中華人民共和國公司法》) was promulgated by the Standing Committee of the National People's Congress on 29 December 1993, last amended on 28 December 2013, and came into effect from 1 March 2014, with the purpose of simplifying the procedures for the incorporation and operation of companies in the PRC as follows:

- Cancellation of requirement on minimum capital: The requirements on the minimum registered capital are cancelled for the establishment of limited liability companies or companies limited by shares, unless otherwise stipulated in laws, administrative regulations and decisions of the State Council.
- Cancellation of certificate of capital verification for shareholders' contributions: Capital contribution by the shareholders of limited liability companies or companies limited by shares no longer requires capital verification by legally incorporated capital verification institution.
- Contributions with non-monetary assets: Given the cancellation of the requirement on minimum registered capital, it is possible to make contributions entirely with "non-cash assets that can be valued in currency and transferred in accordance with the law", which can diversify the methods of capital contributions into a company by investors.

Save for the Company Law of the PRC* (《中華人民共和國公司法》), the foreign-invested enterprises are also subject to other PRC rules and regulations. It is provided in Article 217 of the Company Law of the PRC* (《中華人民共和國公司法》) that, where other laws on foreign investment provide otherwise, such provisions shall prevail.

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In general, foreign investors shall establish companies in the PRC in any of the following legal forms:

- Equity joint ventures;
- Cooperative joint ventures;
- Wholly foreign-owned enterprises;
- Foreign-invested companies limited by shares; or
- Representative offices.

According to the amendments to the Company Law of the PRC* (《中華人民共和國公司法》), the limitation on the minimum registered capital for foreign-invested companies has also been cancelled accordingly, unless otherwise stipulated on the minimum registered capital of specific industries by laws, administrative regulations and decisions of the State Council. The limitations or provisions on the initial contribution proportion, monetary contribution proportion and contribution period of foreign-invested companies (including investments from Taiwan, Hong Kong and Macao) have also been cancelled.

LAWS AND REGULATIONS RELATED TO FOREIGN INVESTMENT

Catalogue for the Guidance of Foreign Investment Industries

The Catalogue for Guidance of Foreign Investment Industries* (《外商投資產業指導目錄》), which was last amended on 28 June 2017 by National Development and Reform Commission and MOFCOM came into effect from 28 July 2017, provides the access restrictions on foreign investment in various industries of the PRC, and classifies the foreign investment industries into two categories, namely “Catalogue of Encouraged Foreign Investment Industries” and “Special Access Administrative Measures for Foreign Investment” (Negative List of Foreign Investment Access). Among which, the “Special Access Administrative Measures for Foreign Investment” (Negative List of Foreign Investment Access) is further subdivided into “Catalogue of Restricted Foreign Investment Industries” and “Catalogue of Prohibited Foreign Investment Industries”. Those not classified into “Special Access Administrative Measures for Foreign Investment” (Negative List of Foreign Investment Access) are permitted foreign investment industries. The wholesale, sales and import & export businesses of food industry are not included in the “Special Access Administrative Measures for Foreign Investment”.

Circular No. 37

According to the Notice on Issues Concerning the Administration of Foreign Exchange in Offshore Investments and Financing and Return Investments by Domestic Residents through Special Purpose Vehicles* (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“Circular No. 37”) promulgated and implemented by SAFE on 4 July 2014, domestic residents shall apply to SAFE for registration of foreign exchange for offshore investment before making contributions to special purpose vehicles with domestic and overseas legal assets or equities. Domestic residents that have made contributions to special purpose vehicles with domestic and overseas legal assets or equities without the required registration of foreign exchange for offshore investment prior to the implementation of Circular No. 37 shall issue a letter

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of explanation to SAFE containing specific reasons. SAFE shall make a post-registration following the principles of legality and rationality, and impose administrative penalties in case of suspected violation of foreign exchange control regulations.

Merger and Acquisition of Domestic Enterprises by Foreign Investors

Under the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》), which was issued by the MOFCOM, State-owned Assets Supervision and Administration Commission of the State Council, SAT, SAIC, CSRC and SAFE on 8 August 2006, became effective from 8 September 2006 and was last amended on 22 June 2009 by the MOFCOM, the merger and acquisition of domestic enterprises by foreign investors refer to the purchase of the equity interests of shareholders of a domestic non-foreign-invested enterprise or subscription of new equity in a domestic enterprise via an increase of registered capital by foreign investors, thereby converting it into a foreign-invested enterprise; or establishment of a foreign-invested enterprise by foreign investors that purchase and operate the assets of a domestic enterprise by the agreement of that enterprise; or purchase of assets of a domestic enterprise by agreement and investment with those assets by foreign investors to establish a foreign-invested enterprise to operate the assets. The merger and acquisition of domestic enterprises by foreign investors shall comply with requirements on qualification of investors by the PRC laws, administrative regulations and rules, as well as industry, land and environmental protection policies. The business scope of enterprises formerly invested by the acquired domestic enterprise shall comply with relevant requirements of the foreign investment industry policies, and necessary adjustments shall be made in case of inconformity.

LAWS AND REGULATIONS RELATED TO THE FOOD INDUSTRY

Food hygiene and safety

The Food Safety Law of the PRC* (《中華人民共和國食品安全法》) is the main law governing food production, sales and safety supervision in the PRC. According to the Food Safety Law of the PRC* (《中華人民共和國食品安全法》) promulgated by the Standing Committee of the National People's Congress on 28 February 2009, further revised on 24 April 2015 and implemented on 1 October 2015, any food production or trading activities shall comply with food safety standards and the following specific requirements:

- Have appropriate places for raw material treatment and food processing, packaging, and storage that are suitable for the variety and quantity of the food being produced or traded, make the environment tidy, and keep a required distance away from toxic or hazardous places, and other contamination sources;
- Have appropriate production or trading equipment or facilities that are suitable for the variety and quantity of the food being produced or traded, have appropriate equipment or facilities for disinfection, changing clothes, cleansing, lighting, ventilation, anticorrosion, dust-proofing, fly-proofing, rat-proofing, pest-proofing, washing, and drainage of wastewater, and deposit of garbage and wastes;
- Have full-time or part-time technical staff and management personnel on food safety, and the rules and regulations to ensure food safety;

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- Have reasonable equipment layout and operational flow to prevent cross-contamination between unprocessed foods and direct consumption foods, between raw materials and finished products, and to avoid food contacting with toxic or dirty items;
- Wash and sterilise the tableware, kitchenware, and containers holding direct consumption food before use, and wash and clean the kitchenware and utensils after use;
- Use safe and harmless containers, tools, and equipment for food storage, transportation, and loading/unloading, keep them clean and avoid food contamination, comply with special requirements such as temperature and humidity, etc. for food safety purposes, and never store and transport food with toxic or harmful items;
- Use nontoxic and clean packaging materials, tableware, kitchenware and containers for direct consumption food;
- Food producers and traders shall maintain personal hygiene, clean their hands, and dress in clean clothing and cap; use sterilised and clean containers, vending tools and equipment for direct consumption food without a package;
- Use water that complies with the national hygienic standard for drinking water;
- Use detergents and disinfectors that are safe and harmless to the human body;
- Other requirements stipulated by laws and regulations.

According to the Food Safety Law of the PRC* (《中華人民共和國食品安全法》), food safety standards are mandatory, and shall include following:

- The limits of pathogenic microorganisms, pesticide residues, veterinary drug residues, biotoxins, heavy metals, contaminants, and other substances hazardous to human health in food, food additives and food-related products;
- Varieties, scope of application, and dose of food additives;
- Requirements for nutritional ingredients in staple and supplementary food dedicated to babies and other specific populations;
- Requirements for labelling, identification and instructions relevant to food safety requirements, such as hygiene and nutrition, etc.;
- Hygienic requirements for food production and trading processes;
- Quality requirements related to food safety;
- Methods and procedures for food testing related to food safety;
- Other particulars necessary for developing food safety standards.

According to the Food Safety Law of the PRC* (《中華人民共和國食品安全法》), labels and instructions of food and food additives shall not contain false information, nor shall they make statements about disease prevention and treatment functions. Food producers shall undertake legal liability for declarations on the labels and instructions. Labels and instructions of food and food

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additives shall be clear, visible, and production date, shelf life and other items shall be highlighted and easy to read. Food or food additives that are not consistent with the information indicated on the label and instructions shall not be marketed.

According to the Food Safety Law of the PRC* (《中華人民共和國食品安全法》), the safety supervision and administration of the imported and exported food shall be implemented by the State entry-exit inspection and quarantine agency. Imported food, food additives and food-related products shall comply with China's national food safety standards. Imported food and food additives shall be inspected and cleared by the entry-exit inspection and quarantine agencies in accordance with relevant laws and administrative regulations on import and export commodity inspection. Imported food and food additives shall be accompanied with a quality certificate as required by the State entry-exit inspection and quarantine agency.

According to the Food Safety Law of the PRC* (《中華人民共和國食品安全法》), food producers or traders who engage in unauthorised food production, trading activities or production of food additives, shall have their illegal benefits, including food or food additives illegally produced or traded, as well as tools, equipment and food-related raw material which is used for illegal production or trading activities confiscated by the food and drug administration of the people's governments at the county level and above, and shall be subject to a fine. Anyone in full knowledge providing production or trading premises or other conditions for those engaging in illegal acts referred above shall be ordered to stop such illegal acts and confiscated of the illegal gains by the food and drug administration of the people's governments at the county level and above, and shall be subject to a fine; anyone who has caused damages to the lawful rights and interests of the customers shall bear joint liabilities with the producer and trader of food and food additives.

According to the Regulation on the Implementation of the Food Safety Law of the PRC* (《中華人民共和國食品安全法實施條例》) promulgated by the State Council on 20 July 2009, further revised and implemented on 6 February 2016, food producers and traders must engage in the production and trading activities in accordance with applicable laws, regulations and food safety standards, establish a sound food safety management system, and take effective management measures to ensure food safety. Food producers and traders shall be responsible for the safety of food produced and traded by them, and responsible for the public as well as bear the social responsibility.

Licence for Food Production and Operation

In accordance with Food Safety Law of the PRC* (《中華人民共和國食品安全法》), licensing system was imposed by the State over food production and operation. Relevant licence shall be obtained according to law for the engagement in the food production, sales and catering service. However, the sales of edible agricultural products doesn't require licence.

According to the Administrative Measures for Food Production Licence* (《食品生產許可管理辦法》) promulgated by China Food and Drug Administration on 31 August 2015 and implemented on 1 October 2015, a food production licence with a term of five years shall be applied for conducting food production activities. Food producers shall file applications with the food and drug administrative authorities which originally issued the licence 30 working days before its expiry for extending the validity period of their food production licence.

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Pursuant to the Administrative Measures for Food Operations Licence* (《食品經營許可管理辦法》) promulgated by the China Food and Drug Administration on 31 August 2015 and implemented on 1 October 2015, anyone who engages in sales of food and catering service activities shall obtain a food operation licence in compliance with the law. Food operation licensing follows the principle of one licence for one place, which means a food operator should obtain a food operation licence when carrying out food operation activities in a premise of operation. The issue date of the food operation licence shall be the date on which approval for the licence is granted, and a licence is valid for five years.

According to the Notice of China Food and Drug Administration on the Implementation of the Administrative Measures for Food Operations Licence* (《國家食品藥品監督管理總局關於貫徹實施〈食品經營許可管理辦法〉的通知》) promulgated and implemented by China Food and Drug Administration on 30 September 2015, the food distribution permits obtained before the Administrative Measures for Food Operations Licence* (《食品經營許可管理辦法》) becoming effective shall still be valid during its period of validity.

Food Standardisation

Pursuant to the Standardisation Law of the PRC* (《中華人民共和國標準化法》) promulgated on 29 December 1988 and implemented on 1 April 1989, last amended on 4 November 2017, and will come into effect from 1 January 2018 by the Standing Committee of the National People's Congress, and the Implementation Regulations for Standardisation Law of the PRC* (《中華人民共和國標準化法實施條例》) promulgated and implemented by the State Council on 6 April 1990, national and industrial standards can be categorised as compulsory standards and optional standards. Standards regarding the health or safety of human life or property or prescribed by laws and administrative regulations as compulsory shall be compulsorily followed while compliance with the remaining standards is optional. Among them, food hygiene standards are part of mandatory standards. The production, sale or import of any product that does not conform to compulsory standards shall be handled by the competent administrative department designated by laws and administrative regulations. The relevant department shall confiscate the products and illegal benefits and impose a fine according to the law. In circumstances where serious consequences are incurred and the offence constitutes a crime, the liabilities for the direct responsible personnel may be investigated.

Food Inspection

It is provided in the Food Safety Law of the PRC* (《中華人民共和國食品安全法》) that, food and drug supervision and administration of the people's governments at or above the county level shall carry out food inspections by taking samples on a regular or irregular basis and shall publicise the test results according to relevant provisions; no exemption may be made for any food. For sampling inspection, they shall purchase the samples to be inspected and delegate relevant food inspection institution conform to the legal conditions to conduct the inspection and pay the relevant fees; no inspection or other fees may be charged to food producers or distributors.

Food Recall

According to the Food Safety Law of the PRC* (《中華人民共和國食品安全法》), the food recall system has been established in China. Where a food producer finds that the food it produces does not comply with the food safety standards or is proved to be harmful to human health, it shall immediately stop production, recall the food on the market, notify the relevant operators and consumers, and record the recall and notification.

Where a food trader finds that the food it trades under the aforesaid circumstance, it shall immediately stop trading such food, notify the relevant producers, traders and consumers, and record the cessation of trading and the notification. Where the food producers consider that the food should be recalled, the food is required to be recalled immediately. In the case of statutory recall of the traded food due to the reasons of food traders, the food traders shall recall the food.

Food producers and distributors shall take measures such as harmless disposal and destruction regarding the recalled food in order to prevent it from entering the market again. However, the food producers may continue to sell the food recalled for the reason that the label, mark, or specification does not comply with food safety standards after taking remedial measures and ensuring food safety. Remedial measures shall be expressed when sell to the consumers.

Food producers or distributors shall report the recall and disposal of food to the local food and drug supervision and administration of the competent people's government at the county level. If harmless disposal and destruction of the recalled food is required, food producers or distributors shall report the time and place in advance. Food and drug supervision and administration may carry out on-site supervision if it considered necessary.

In the event that a food producer or distributor fails to recall or stop distribution in accordance with the law, the food and drug supervision and administration of the competent people's government at or above the county level may order it to recall or stop trading the food.

According to the Administrative Measures for Food Recall* (《食品召回管理辦法》) promulgated on 11 March 2015, and implemented on 1 September 2015 by China Food and Drug Administration, if the unsafe food produced or traded by food producers or distributors has not been sold to consumers, and is still in the control of other producers and traders, food producers and traders shall immediately recall the unsafe food, and take necessary measures to eliminate risks.

Food Additive Usage and Management System

It is provided in the Food Safety Law of the PRC* (《中華人民共和國食品安全法》) that food producers shall check the licence of the supplier and quality certificate of the product when purchasing food raw materials, food additives, and other food-related products. In the absence of a quality certificate, the food raw material shall be tested in accordance with food safety standards. Food producers may not purchase or use raw materials, food additives, and other food-related products that do not comply with food safety standards.

Food producers shall establish a verification record for incoming food raw materials, food additives, and other food-related products, indicating such information as name, specification, quantity, production date or batch number, shelf life, purchase date of food raw materials, food additives, and other food-related products, and the name, address and contact information of the

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supplier, and shall keep relevant credentials. The records and credentials shall be kept for no less than 6 months after the expiration of shelf life; in the absence of an indicated shelf life, the preservation term shall, in no event, be less than two years.

Food additive producers shall establish an inspection record for outgoing food that verifies the inspection certificates and safety status of the outgoing food additives. It shall correctly record such information as name, specification, quantity, production date or batch number, shelf life, inspection certificate number, and sales date of such food additives and name, address and contact information of the purchaser and shall keep relevant credentials.

Food additive traders shall check the licence of the supplier and quality certificate of the products when purchasing food additives. It shall faithfully record such information as name, specification, quantity, production date or batch number, shelf life, purchase date of the food additives, and supplier name, address and contact information and shall keep relevant credentials.

Imported food and food additives and other food-related products shall comply with China's national food safety standards. Imported food and food additives shall be inspected by entry-exit inspection and quarantine administration in accordance with relevant laws and administrative regulations. Imported food and food additives shall be accompanied with a quality certificate as required by state entry-exit inspection and quarantine administration.

According to the Administrative Measures for New Varieties of Food Additives* (《食品添加劑新品種管理辦法》) promulgated and implemented by the Ministry of Health (changed into National Health and Family Planning Commission in 2013) on 30 March 2010, food additives shall be technically required and proven to be safe and reliable through the risk assessment. Entities or individuals applying for the production, operation, use or import of new food additives shall submit their application for the approval of such new types of food additives and provide relevant materials in accordance with relevant laws and regulations. Applicants for expansion of usage scope or quantity of particular types of food additives may be exempted from submitting safety assessment materials, unless required in the technical evaluation. The specific procedures for administrative licensing in respect of new food additives shall be conducted in accordance with relevant provisions in the Administrative Licensing Law* (《行政許可法》), the Administrative Measures for Hygienic Administrative Licence* (《衛生行政許可管理辦法》), etc.

Food Label Management

In accordance with the Administrative Regulations on Food Label* (《食品標識管理規定》) promulgated by General Administration of Quality Supervision, Inspection and Quarantine of the PRC on 27 August 2007, last revised and implemented as of 22 October 2009, food labels shall carry food name reflecting the essential property of relevant food, and conforming to specific requirements under relevant laws and regulations:

According to the Administrative Regulations on Food Label* (《食品標識管理規定》), food labels shall indicate the place of origin of food, and name, address and contact information of producers. They shall also clearly mark the date of production and shelf life of food, and indicate the storage conditions in accordance with relevant regulations. The list of ingredients or formulation shall also be marked.

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Food Advertisement Management

The product advertisements of our Company shall be governed by laws and regulations including but not limited to the Advertising Law of the PRC* (《中華人民共和國廣告法》) promulgated by the Standing Committee of the National People's Congress on 27 October 1994, last revised on 24 April 2015 and implemented as of 1 September 2015, the Regulations on Control of Advertisement* (《廣告管理條例》) promulgated by the State Council on 26 October 1987 and implemented as of 1 December 1987, as well as the Interim Regulations on Release of Food Advertisement* (《食品廣告發佈暫行規定》) promulgated by the State Administration for Industry and Commerce on 30 December 1996, last revised and implemented as of 3 December 1998.

Pursuant to the Advertising Law of the PRC* (《中華人民共和國廣告法》), advertisements shall not resort to any falsehood or misunderstanding to a deception or misleading to consumers. Advertisers shall be liable for the authentication of advertisement contents. Advertisers, advertising agents and advertisement publishers shall abide by laws and regulations and the principles of good faith and fair competition in carrying out advertising activities. An advertisement should make distinct and clear the properties, functions, places of origin, purposes, quality, ingredients, price, manufacturer, validity period or promises in respect of goods or the contents, providers, forms, quality, price or promises in respect of services offered. Whereas a gift is attached to certain goods or services supplied, the advertisement concerned should clearly define the kind, specification, quantity, period and mode of the attached gift or service. Contents that shall be explicitly indicated in advertisements as stipulated in laws and administrative regulations shall be expressed in an obvious and clear manner.

It is stipulated in the Interim Regulations on Release of Food Advertisements* (《食品廣告發佈暫行規定》) that, food advertisements shall be authentic, legitimate, scientific and accurate, and comply with requirements of development of socialist spiritual civilisation without deception and misguidance to consumers.

Product Package

According to the General Rules on Production Licence for Food Package, Containers, Tools, etc.* (《食品用包裝、容器、工具等製品生產許可通則》) and Detailed Rules on Examination of Production Licence for Plastic Package, Containers, Tools, etc. for Food* (《食品用塑膠包裝、容器、工具等製品生產許可審查細則》) promulgated and implemented by General Administration of Quality Supervision, Inspection and Quarantine of the PRC on 18 July 2006, and the Detailed Rules on Implementation of Production Licence for Paper Package, Containers, etc. for Food* (《食品用紙包裝、容器等製品生產許可實施細則》) promulgated and implemented by General Administration of Quality Supervision, Inspection and Quarantine of the PRC on 18 July 2007, enterprises without the production licence for relevant products shall not produce paper package, containers, etc. for food subject to administration. No entities or individuals may sell or use during operation activities the paper package, containers, etc. for food without production licence but subject to the administration of production licensing.

Food Trademark Management

Pursuant to the Trademark Law of the PRC* (《中華人民共和國商標法》) promulgated by the Standing Committee of the National People's Congress on 23 August 1982, further revised on 30 August 2013, and implemented as of 1 May 2014, the Trademark Office of the SAIC shall be responsible for the registration and administration of trademarks throughout the country. A

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registered trademark shall be valid for ten years since the date of approval of the registration. The application for registration and usage of trademarks shall follow the principle of the good faith. The user of a trademark shall be responsible for the quality of the goods in respect of which the trademark is used. The administrative authorities for industry and commerce at different levels shall, through the administration of trademarks, combat any practice that deceives consumers.

It is provided in the Trademark Law of the PRC* (《中華人民共和國商標法》) that any of the following constitutes an infringement of the exclusive right to use a registered trademark:

- Using a trademark identical with a registered trademark in connection with the same goods without the authorisation of the trademark registrant;
- Using a trademark similar to a registered trademark in connection with the same goods, or identical with or similar to a registered trademark in connection with the similar goods, without the authorisation of the trademark registrant, which may cause confusion;
- Selling goods that violate the exclusive right to use a registered trademark;
- Counterfeiting, or making, without authorisation, representations of another party's registered trademark, or selling such representations;
- Altering the registered trademark of the trademark registrant without authorisation thereof and selling goods bearing such an altered trademark;
- Helping others to infringe upon the exclusive right to use the registered trademark by intentionally providing convenience therefor;
- Causing prejudice to the exclusive right of another party to use a registered trademark.

According to the Trademark Law of the PRC* (《中華人民共和國商標法》) and the Provisions for the Identification and Protection of Well-known Trademarks* (《馳名商標認定和保護規定》) promulgated by the SAIC on 17 April 2003, further revised on 3 July 2014 and implemented as of 3 August 2014, well-known trademarks refer to the trademarks that are well known among Chinese relevant public. The following factors shall be taken into consideration but no necessity for all satisfaction thereof during the identification of well-known trademarks: (1) the degree of knowledge of the relevant public; (2) the duration of trademark use; (3) the duration, degree and geographical range of any publicity of the trademark; (4) any record of the trademark being protected as a well-known trademark; and (5) other factors which makes the trademark well-known.

It is stipulated in the Trademark Law of the PRC* (《中華人民共和國商標法》) that, a trademark that is applied for registration in identical or similar goods shall not be registered and its use shall be prohibited, if it is a reproduction, an imitation or a translation of another party's well-known trademark not registered in China and it is liable to create confusion. A trademark that is applied for registration in non-identical or dissimilar goods shall not be registered and its use shall be prohibited, if it is a reproduction, an imitation or a translation of a well-known trademark which is registered in China, misleads the public, and the interests of the registrant of the well-known trademark are likely to be damaged by such use.

LAWS AND REGULATIONS RELATED TO PRODUCT QUALITY

Product Quality

The Product Quality Law of the PRC* (《中華人民共和國產品質量法》) is the major law that supervises and manages the product quality, which is applicable to the production and sales of products within the territory of China. Pursuant to the Product Quality Law of the PRC* (《中華人民共和國產品質量法》) promulgated by the Standing Committee of the National People's Congress on 12 February 1993, further revised and implemented as of 27 August 2009, products shall comply with following quality requirements:

- Being free from unreasonable dangers threatening the safety of human life and property, and conforming to the national standards or trade standards safeguarding the health or safety of human life and property;
- Possessing the properties and functions that they ought to possess, except for those with directions stating their functional defects;
- Conforming to the product standards marked on the products or the packages thereof, and to the state of quality indicated by way of product directions, samples, etc.

According to the Product Quality Law of the PRC* (《中華人民共和國產品質量法》), the liabilities and obligations of producers concerning product quality include:

- Be liable for the quality of the products they produce;
- All marks on the products or the packages shall be authentic;
- Not to produce any products officially eliminated by the national laws and decrees;
- Not to forge the origin of a product, nor forge or falsely use other producers' names and addresses;
- Not to forge or falsely use other producers' product quality marks such as the certification marks;
- Not to mix impurities or imitations into the products, nor substitute a fake product for a genuine one, a defective product for a high-quality one, nor pass a substandard product off as a good-quality one during production;
- The packages of fragile, inflammable, explosive, poisonous, erosive or radioactive products, or products that should be kept upright during storage and transportation, or other products with special requirements, must meet the corresponding requirements and carry warning marks or warning statements in Chinese indicating directions for storage and transportation.

The liabilities and obligations of sellers concerning product quality include:

- To establish and practise a check-for-acceptance system while replenishing the stock, and examine the quality certificates and other marks;
- To adopt measures to keep the products for sale in good quality.

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- Not to sell the products that are officially eliminated or prohibited to be sold by the State, or invalid or deteriorated products;
- The marks on products sold shall be in compliance with the relevant provisions;
- Not to forge the origin of a product, nor forge or falsely use another producer's name and address;
- Not to forge or falsely use another producer's product quality marks such as the authentication marks;
- Not to mix impurities or imitations into the products, nor substitute a fake product for a genuine one, a defective product for a high-quality one, nor pass a substandard product off as a good-quality one during sales.

Producers or sellers in violation of above liabilities and obligations shall be liable for the civil liability for compensation. Where bodily injury is caused by a product due to its defect, the producer or seller shall compensate for the medical expenses, nursing fees during the treatment, and the earnings reduced by the loss of his/her working time; in case disability is caused, the producer or seller shall also bear the costs of self-help devices, subsistence allowance, disability compensation and necessary living expenses for any other person supported by the infringed; if the infringed dies, the producer or seller shall pay the funeral expenses, death compensation and the living expenses necessary for any other persons supported by the deceased before his death. Where damage is caused to the property of the infringed due to the defect of a product, the producer or seller shall restore the damaged property to its original state, or pay compensation for losses. Meanwhile, the competent authorities may order the cessation of the production, confiscate the products produced or sold illegally, impose a fine and confiscate unlawful earnings (if any); in case of severe circumstances, the business licence may be revoked; if the case constitutes a crime, the offender shall be investigated for criminal responsibility according to law.

Liability of producers

According to the Product Quality Law of the PRC* (《中華人民共和國產品質量法》), producers shall be responsible for the quality of products it produces and shall be liable for compensation if his defective product causes damage to human life or property other than the defective product itself, unless he can prove the existence of any of the following circumstances:

- The product has not been put in circulation;
- The defect causing the damage did not exist at the time when the product was put in circulation;
- The defect of the product cannot be detected by science and technology at the time of putting into circulation.

The seller shall be liable for compensation for the personal injury or property damage (other than the defective product itself) due to the product defect caused by the fault of the seller. Where a defective product causes damage to human body or another person's property, the victim may claim compensation from the producer or the seller of such a product.

Supervision and management of quality safety of dairy products

The Regulations on Supervision and Administration of Dairy Product Quality and Safety* (《乳品質量安全監督管理條例》) are the principal law governing the supervision and administration of the quality of dairy products, applicable to the production and sales of dairy products in China. According to the Regulations on Supervision and Administration of Dairy Product Quality and Safety* (《乳品質量安全監督管理條例》) promulgated and implemented by the State Council on 9 October 2008:

- Breeders of milch livestock, raw milk purchasers, and dairy product producers and sellers shall bear the primary responsibility for the quality and safety of dairy products produced, purchased, transported and sold thereby.
- Dairy product producers shall establish the quality management system, and take quality and safety administrative measures, and conduct whole-process quality control from the purchase of raw materials to the delivery of finished products during the production of dairy products, in order to guarantee the product quality and safety.
- Dairy product producers shall establish the raw milk incoming inspection system, and shall not purchase the raw milk with excessive residues of chemical substances such as veterinary drug, poisonous or hazardous substances such as heavy metals, pathogenic parasites and microorganisms, biotoxin or other raw milk not conforming to the national standards of dairy product quality and safety. The raw milk, supplements, and additives used in making dairy products should conform to the laws, administrative regulations, and national standards for dairy product quality and safety.
- Dairy product enterprises shall immediately stop production, report to competent authority, notify sellers and consumers, recall the dairy products in the market and record the recall situation when they find the dairy products fail to conform to national standards for dairy product quality and safety, endanger the human health and life security, or the health or growth of infants.
- Dairy product sellers shall apply to the administrative department for industry and commerce for relevant certificates in accordance with relevant regulations on the food safety supervision and management. Dairy product sellers shall take measures to guarantee the quality of the sold dairy products. It is forbidden to purchase or sell the dairy products without quality conformity certificate or labels, those with unclear and incomplete labels, those of which the shelf life has expired or which have gone bad, or those which don't conform to the national standards of dairy product quality and safety.
- Producers or sellers of dairy products that do not conform to national standards of dairy product quality and safety in such a way as to constitute a crime will be pursued for criminal liability and have their licences revoked by the issuing authority; if such acts do not constitute a crime, the perpetrators will face confiscation of the illegal proceeds and products and related tools and equipment, a fine, and licence revocation by the competent department of animal husbandry and veterinary medicine, quality supervision department and administrative department for industry and commerce.

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Supervision and inspection of food producers and processors

Pursuant to the Regulations on the Supervision and Inspection of Implementation of Main Responsibilities of Quality Safety of Food Production and Processing Enterprise* (《食品生產加工企業落實質量安全主體責任監督檢查規定》) promulgated on 23 December 2009 and implemented as of 1 March 2010 by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC:

- Food producers and processors shall guarantee the consistency of site of food production and scope of food production with the food production licence, and establish the incoming goods inspection record system, production process control system, ex-factory inspection record system and nonconforming product management system.
- The corporate standards, health and training of staff, and acceptance of entrusted food processing of food producers and processors shall comply with relevant laws and regulations.
- The local quality and technology supervision departments above the county level shall supervise and examine the implementation of relevant laws, regulations and standards by the enterprise by listening to the enterprise reports, consulting the enterprise records, asking enterprise employees, inspecting the production site, examining the enterprise products and used food raw materials, food additives and food-related products, and investigating the stakeholders of the enterprise.

LAWS AND REGULATIONS RELATED TO CONSUMER PROTECTION

General Principles of the Civil Law of the PRC* (《中華人民共和國民法通則》)

- The General Principles of the Civil Law of the PRC* (《中華人民共和國民法通則》) was adopted by the National People's Congress on 12 April 1986, implemented as of 1 January 1987, further revised and implemented as of 27 August 2009. According to the General Principles of the Civil Law of the PRC* (《中華人民共和國民法通則》), if a substandard product causes property damage or physical injury to others, the manufacturer or seller shall bear civil liability according to the law. If the transporter or storekeeper is responsible for the matter, the manufacturer or seller shall have the right to demand compensation for its losses.

The Law of the PRC on the Protection of Consumer Rights and Interests* (《中華人民共和國消費者權益保護法》)

Adopted by the Standing Committee of the National People's Congress on 31 October 1993, took effect on 1 January 1994, lasted amended on 25 October 2013, and came into effect on 15 March 2014, the Law of the PRC on the Protection of Consumer Rights and Interests* (《中華人民共和國消費者權益保護法》) is the main law which protects the legitimate rights and interests of consumers. It is provided in the Law of the PRC on Protection of the Consumer Rights and Interests* (《中華人民共和國消費者權益保護法》) that, consumers or other victims suffering personal injuries or property damage resulting from defects of commodities may demand compensations either from the sellers or from the manufacturers. If the liability is on the manufacturers, the sellers shall, after paying the compensations, have the right to recover the compensations from the manufacturers; if the liability is on the sellers, the manufacturers shall, after paying the compensations, have the right to recover the compensations from the sellers.

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Pursuant to the Law of the PRC on Protection of the Consumer Rights and Interests* (《中華人民共和國消費者權益保護法》), business operators shall fulfil their obligations in accordance with the applicable laws and regulations and shall adhere to social morality, operate business in good faith, and protect the lawful rights and interests of consumers; and shall neither set unfair or unreasonable trading conditions nor force consumers into any transactions.

The Tort Liability Law of the PRC (《中華人民共和國侵權責任法》)

The Tort Liability Law of the PRC* (《中華人民共和國侵權責任法》) was adopted by the Standing Committee of the National People's Congress on 26 December 2009, and took effect on 1 July 2010. It is the main law which protects the legitimate rights and interests of civil subjects and clarifies the tort liability. It is provided in the Tort Liability Law of the PRC* (《中華人民共和國侵權責任法》) that:

- Where a defective product causes any harm to another person, the manufacturer shall assume the tort liability. Where a product with any defect caused by the fault of the seller causes any harm to another person, the seller shall assume the tort liability;
- Where any harm is caused by a defective product, the victim may require compensation to be made by the manufacturer of the product or the seller of the product;
- Where the defect of a product endangers the personal or property safety of another person, the victim shall be entitled to require the manufacturer or seller to assume the tort liabilities by removing the obstruction or eliminating the danger;
- Where any defect of a product is found after the product is put into circulation, the manufacturer or seller shall take such remedial measures as warning and recall in a timely manner. The manufacturer or seller who fails to take remedial measures in a timely manner or take sufficient and effective measures and has caused any harm shall assume the tort liability;
- Where a manufacturer or seller knowing any defect of a product continues to manufacture or sell the product and the defect causes a death or any serious damage to the health of another person, the victim shall be entitled to require the corresponding punitive compensation.

LAWS AND REGULATIONS RELATED TO ENVIRONMENTAL PROTECTION

General Regulations Concerning Environmental Protection

Promulgated by the Standing Committee of the National People's Congress on 26 December 1989, last amended on 24 April 2014, and came into effect on 1 January 2015, the Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》) establishes the legal framework of the environmental protection in China. According to the Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》), the competent department of environmental protection administration under the State Council shall conduct unified supervision and management of the environmental protection work throughout the country, and establish the national standards for environment quality and discharge of pollutants. The competent departments of environmental protection administration of the local people's governments at or above the county level shall conduct unified supervision and management of the environmental protection work within areas under their jurisdiction.

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It is provided in the Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》) that, enterprises discharging pollutants shall establish an environmental protection accountability system to identify the responsibilities of their persons-in-charge and relevant staff; and shall adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, waste water, waste residues, medical waste, dust, malodorous gases, radioactive substances, noise, vibration, optical radiation and electromagnetic radiation generated in the course of production, construction or other activities. Enterprises, public institutions and other producers and business operators discharging pollutants shall pay pollution fees in accordance with relevant national regulations. The competent departments of environmental protection administration of the local people's government at or above the county level shall impose different punishments on enterprises violating the Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》) according to the actual situations and degree of pollution. Such punishments include penalties, limited production, suspension of production for rectification, suspension of operation or close-down as ordered, and administrative punishments on relevant persons-in-charge. In case of severe violation that constitutes a crime, criminal liabilities shall be investigated according to law.

Prevention and Control of Pollutants

The Law of the PRC on the Prevention and Control of Atmospheric Pollution* (《中華人民共和國大氣污染防治法》) which promulgated by the Standing Committee of the National People's Congress on 5 September 1987, lasted amended on 29 August 2015, and came into effect on 1 January 2016, the Law of the PRC on Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》) which promulgated on 11 May 1984, lasted amended on 27 June 2017, and will come into effect on 1 January 2018, the Law of the PRC on Prevention and Control of Environmental Noise Pollution* (《中華人民共和國環境噪聲污染防治法》) which promulgated on 29 October 1996 and came into effect on 1 March 1997, and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》) which promulgated on 30 October 1995, lasted amended and came into effect on 7 November 2016 respectively specify the administrative regulations on the prevention and control of pollution caused by atmosphere, water, noise and solid waste, in order to protect and improve the environment, safeguard the public health and promote the sustainable development of economy and society. The aforesaid laws have specific regulations on the prevention and control of pollution caused by atmosphere, water, noise and solid waste in various activities (including living, production and operation activities).

Environmental Protection for Construction Projects

The Law of the PRC on Appraising of Environment Impacts* (《中華人民共和國環境影響評價法》) which was promulgated by the Standing Committee of the National People's Congress on 28 October 2002, last amended on 2 July 2016 and effective from 1 September 2016 makes specific regulations on the environmental protection for planning and construction projects. According to the Law of the PRC on Appraising of Environment Impacts* (《中華人民共和國環境影響評價法》), units responsible for the construction projects shall submit the environmental impact reports to the competent administrative department of environmental protection for examination and approval in accordance with the regulations of the State Council. The construction units shall not commence the construction before the environmental impact appraisal documents of the construction projects having been examined by the examination and approving department or approved by such departments after examination according to laws.

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Administrative Regulations on Environmental Protection for Construction Project* (《建設項目環境保護管理條例》) was promulgated by the State Council on 29 November 1998, amended by the State Council through issuing the Decision of the State Council concerning the Amendment of the Administrative Regulations on Environmental Protection for Construction Project* (《國務院關於修改〈建設項目環境保護管理條例〉的決定》) on 16 July 2017, and was effective from 1 October 2017. This amendment simplifies the approval matters and procedures for the environmental protection for construction projects, strengthens the supervision during the construction and after the completion of the project, further optimises services and alleviates the burden on enterprises. Firstly, the approval system of the environmental impact registration form is changed to the filing system; the time of submitting environmental impact statements and reports for approval is adjusted from the phase of feasibility study to prior to the commencement of construction, and the approval on the appraising of environment impacts is no longer the prepositional procedure of the investment approval; the prepositional approval procedures for the environmental impact appraising such as preview of competent industrial departments are cancelled, and the environmental impact appraising is separated from the industrial and commercial registration. Secondly, the information publicity and public participation are strengthened, and it is stipulated that the construction units shall prepare the environmental impact reports and solicit for the opinions of relevant units and residents of the place where the construction project is located in accordance with relevant laws and regulations. Thirdly, upon completion of the construction project, the construction units shall make the inspection report public to the society according to laws unless such information shall be kept confidential according to national regulations.

LAWS AND REGULATIONS IN RELATION TO TAXATION

Income Tax

According to the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) which was promulgated by the Standing Committee of the National People's Congress on 16 March 2007, amended on and effective from 24 February 2017, and the Regulations on the Implementation of the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法實施條例》) which was promulgated by the State Council on 6 December 2007, and effective from 1 January 2008, a uniform enterprise income tax rate of 25% will be applied towards PRC enterprises, and foreign investment and foreign enterprises which have set up institutions or facilities in the PRC. A resident enterprise is subject to enterprise income tax for the income derived from both inside and outside the territory of the PRC. An institution or establishment set up by a non-resident enterprise in the PRC is subject to enterprise income tax for the income derived from such organisation or establishment in the PRC and the income derived from outside the PRC that has an actual connection with such organisation or establishment in the PRC. For a non-resident enterprise which has not set up an institution or establishment in the PRC, or has set up an institution or establishment but the income derived has no actual connection with such institution or establishment, its income derived in the PRC will be subject to enterprise income tax and the enterprise income tax rate is 25%. A non-resident enterprise without a permanent institution or establishment in the PRC or such non-resident enterprise which has set up a permanent institution or establishment in the PRC but the income derived has no actual connection with the abovementioned permanent institution or establishment will be subject to enterprise income tax for their PRC-sourced income and the applicable tax rate is 20%. In addition, pursuant to the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) and the Regulations on the Implementation of the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法實施條例》), enterprises established under the laws of jurisdictions outside the PRC with their “de facto management bodies” located within the PRC may be considered the PRC resident enterprises.

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“De facto management body” refers to the institution which exercises substantial and overall management and control over the production, employees, books of accounts and properties of the enterprise.

Pursuant to the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) and the Regulations on the Implementation of the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法實施條例》), income from equity investment between qualified resident enterprises such as dividends and bonuses, which refers to the investment income derived by a resident enterprise from direct investment in another resident enterprise, and the equity investment income such as dividends and bonuses derived by a non-resident enterprise which has set up an institution or establishment in the PRC from resident enterprises and the income derived has an actual connection with such institution or establishment, is exempted from tax.

Pursuant to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) promulgated by the SAT on 21 August 2006, a company incorporated in Hong Kong receiving dividends from a Chinese subsidiary will be subject to withholding income tax of 5% if it directly holds an interest of at least 25% in that particular Chinese subsidiary in distributing dividends or withholding income tax of 10% if it holds an interest of less than 25% in that subsidiary. The Notice of the SAT on the Interpretation and the Determination of the “Beneficial Owners” in the Tax Treaties* (《國家稅務總局關於如何理解和認定稅收協定中「受益所有人」的通知》) has stipulated some factors that are unfavourable to determination of “beneficial owner”.

Pursuant to the Notice of the SAT on Relevant Issues Relating to the Implementation of Dividend Clauses in Tax Treaties* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated and implemented by the SAT on 20 February 2009, residents of counterparties to any tax treaties who directly own up to a certain proportion (25%) of capital of a Chinese resident company paying dividends are subject to taxation on such dividends at the tax rates as stipulated in the tax treaty. Any residents of the counterparties qualifying to enjoy such tax benefits should: (1) be an enterprise subject to taxation on dividends in accordance to such tax arrangement; (2) directly own the required percentage in all equity interests and voting rights in such Chinese resident company; and (3) within the 12 consecutive months prior to receiving such dividends, directly own such required percentage as stipulated in the tax treaty in the Chinese resident company.

Value-Added Tax

According to the Provisional Regulations of the PRC on Value-Added Tax* (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on 5 November 2008, and further revised and implemented as of 6 February 2016, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-Added Tax* (《中華人民共和國增值稅暫行條例實施細則》) promulgated on 10 November 2008, further revised and implemented as of 28 October 2011 by the Ministry of Finance, all units and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, and the import of goods within the territory of the PRC are taxpayers of value-added tax.

Pursuant to the Measures for the Pilot Implementation of Change from Business Tax to Value-Added Tax* (《營業稅改徵增值稅試點實施辦法》) promulgated by the Ministry of Finance and the SAT on 23 March 2016, upon approval by the State Council, since 1 May 2016, the change from business tax to value-added tax was comprehensively piloted all over the country, and all the business tax payers in the construction industry, real estate industry, financial industry and life

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service industry will be included in the pilot scope, who will pay the value-added tax instead of business tax. The Value-Added Tax (“VAT”) rate for general taxpayers shall range from 6–17% of the taxable items. The tax rate for cross-border taxable behaviours by domestic units and individuals shall be zero. The specific scope shall be otherwise stipulated by the Ministry of Finance and the SAT. The VAT rate for small-scale taxpayers shall be 3%, unless otherwise stipulated by the Ministry of Finance and the SAT.

Urban maintenance and construction tax and educational surcharges

According to the Provisional Regulations of the PRC on City Maintenance and Construction Tax* (《中華人民共和國城市維護建設稅暫行條例》) promulgated in 1985 and further revised on 8 January 2011 by the State Council, the Notification of the State Council concerning the Unification of the Urban Construction and Maintenance Tax and Educational Surcharge System of Domestic-funded Enterprises, Foreign-funded Enterprises and Individuals* (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) promulgated by the State Council on 18 October 2010 and implemented from 1 December 2010, and the Notification of the State Administration of Taxation concerning the Collection of Urban Construction and Maintenance Tax* (《國家稅務總局關於城市維護建設稅徵收問題的通知》) promulgated by the State Council on 12 March 1994 and implemented from 1 January 1994, any units or individuals that shall pay the consumption tax, VAT and business tax shall pay the urban construction and maintenance tax. The amount of the urban construction and maintenance tax shall be determined as per the consumption, value-added tax and business tax paid by the taxpayer, and paid together with the consumption tax, VAT and business tax. In addition, the rate of the urban construction and maintenance tax shall be 7%, 5% and 1% for a taxpayer in a city, in a county town or town and in a place other than a city, county town or town.

According to the Provisional Regulations on Collection of Educational Surcharges* (《徵收教育費附加的暫行規定》) promulgated by the State Council on 28 April 1986 and further revised on 8 January 2011, all the units and individuals that pay the consumption tax, VAT and business tax shall pay the educational surcharges. The rate of the educational surcharges shall be 3% of the VAT, business tax and consumption tax actually paid by the units or individuals, and shall be paid together with the VAT, business tax and consumption tax.

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Pursuant to the Labour Contract Law of the PRC* (《中華人民共和國勞動合同法》) promulgated by the Standing Committee of the National People’s Congress on 29 June 2007, further revised on 28 December 2012 and implemented as of 1 July 2013, and the Labour Law of the PRC* (《中華人民共和國勞動法》) promulgated by the Standing Committee of the National People’s Congress on 5 July 1994, further revised and implemented as of 27 August 2009, an employment relationship will be deemed to have been established from the date when the employees begins to work for the employer. The establishment of the employment relationship between the employer and employee requires the conclusion of a written labour contract. Employees are entitled to rights including equal opportunities for employment, selection of occupation, salaries, remuneration, rest, vacations, labour safety, health guarantee, social insurance, welfare, etc. When an employer hires an employee, it shall in good faith inform the employee of work contents, working conditions, workplace, occupational hazards, production safety conditions, labour compensation and other matters which the employee requests to be informed about. The employer and employee shall fully perform their respective obligations in accordance with the labour contract. The employer shall not provide the labour remuneration lower than the minimum salary standard of the place where the employer is located. The employer shall pay their employees

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labour compensation on time and in full in accordance with the labour contracts and national regulations. Employers shall strictly implement the work quota standards and may not compel or in a disguised manner compel employees to work overtime. At the time of revocation or termination of a labour contract, the employer shall issue a proof of revocation or termination of the labour contract and, within 15 days, carry out the procedures for the transfer of the employee's file and social insurance account.

Pursuant to the Law of the PRC on Promotion of Employment* (《中華人民共和國就業促進法》) adopted by the Standing Committee of the National People's Congress on 30 August 2007 and further revised on 24 April 2015, when recruiting personnel, an employer shall provide equal opportunities and fair conditions for employment, and shall not discriminate against anyone in this respect. The State guarantees that women enjoy equal right to work as men. During recruitment, the employer shall not refuse to employ women or raise recruitment standards for females by using gender as an excuse, unless there are national regulations. It shall not have such provisions as restricting female workers from getting married or bearing a child included in the labour contract. It shall give appropriate considerations to the persons of ethnic minorities in accordance with law, and shall not discriminate against disabled persons. It shall not refuse to employ a person with a pretext that he is a pathogen carrier of an infectious disease. No discriminating restrictions may be placed on the rural workers who go to cities for employment. Enterprises shall provide vocational skill training and further education training. The administrative departments at and above the county level shall implement the policies for promotion of employment.

According to the Regulations on Management of Housing Provident Fund* (《住房公積金管理條例》) promulgated by the State Council on 3 April 1999, further revised and implemented as of 24 March 2002, enterprises shall undertake the registration of payment and deposit of housing provident fund at the competent housing provident fund management centre, establish the house provident fund account for the employees at the entrusted bank, and pay the housing provident fund for employees as per no lower than 5% of the monthly average salary of the employee in the previous year.

Pursuant to the Social Insurance Law of the PRC* (《中華人民共和國社會保險法》) promulgated by the Standing Committee of the National People's Congress on 28 October 2010, and implemented as of 1 July 2011, the Provisional Regulations on Collection of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) promulgated and implemented as of 22 January 1999, and the Interim Administrative Measures for the Registration of Social Insurance* (《社會保險登記管理暫行辦法》) promulgated and implemented as of 19 March 1999 by the Ministry of Labour and Social Security (cancelled), the Regulation on Work-Related Injury Insurances* (《工傷保險條例》) promulgated by the State Council on 27 April 2003, revised on 20 December 2010 and implemented from 1 January 2011, and the Trial Measures for Birth Insurance of Enterprise Employees* (《企業職工生育保險試行辦法》) promulgated on 14 December 1994 by the Ministry of Labour and Social Security (cancelled) and implemented from 1 January 1995, the paying entities in China shall apply to the local social insurance agency for the registration of social insurance, and pay the basic pension insurance fund, basic medical insurance fund, unemployment insurance fund, work-related injury insurance fund and the maternity insurance fund for employees. Enterprises shall apply to the local social insurance agency for the registration of social insurance, and pay the insurance premiums for employees. If an employer fails to pay the full amount of social insurance premiums as scheduled, the social insurance premium collection institution shall order it to make the payment or make up the difference within the stipulated period and impose a daily late payment penalty from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administrative department shall impose a fine.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

INTRODUCTION

The history of our Group can be traced back to 1996 when our founder, Mr. Huang, a Controlling Shareholder, executive Director and the Chairman of the Board, together with his brother Mr. HH Huang established Shineroad Industries. At the commencement of operation, Shineroad Industries was principally engaged in distribution of food ingredients and food additives.

Under the leadership of Mr. Huang, our Group has underwent the development and achieves the business milestones as detailed below in this section. For details of the experience and knowledge of Mr. Huang, please refer to the section headed “Directors and Senior Management” in this prospectus.

BUSINESS MILESTONES

The following table sets forth the business milestones of our Group:

Year	Development milestones
1996	— Shineroad Industries was established in the PRC on 29 January 1996
1999	— Obtained the distributing rights of various food additives products of Mitsubishi
	— Obtained the distributing rights of various food ingredients of Supplier A, an internationally renowned dairy products manufacturer originated from Switzerland
2001	— Obtained the distributing rights of various products of Supplier G, a food additive manufacturer for vanillin originated from Belgium
2002	— Obtained the distributing rights of various food colouring products of Sensient
2010	— Guangzhou Jieyang was established in the PRC on 16 November 2010
	— Our Group’s product management centre was established
2011	— Shanghai Shineroad was established in the PRC on 10 January 2011
	— Beijing Shineroad was established in the PRC on 11 July 2011

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year		Development milestones
2012	—	Obtained the distributing rights of various products of Rettenmaier
	—	Our Group's technology centre was established
2015	—	Awarded with the Class Two Outstanding Enterprise Prize by the people's government of Jinhui Town, Fengxian District, Shanghai
2016	—	Awarded with the Five Star Enterprise Prize by the people's government of Jinhui Town, Fengxian District, Shanghai
2017	—	Awarded with the Five Star Enterprise Prize by the people's government of Jinhui Town, Fengxian District, Shanghai

OUR CORPORATE HISTORY

Details of our PRC subsidiaries and members of our Group during the Track Record Period together with their respective corporate history are set out below:

Shanghai Shineroad

Shanghai Shineroad was established in the PRC on 10 January 2011 with a registered capital of RMB10,000,000, which was held as to 95% by Shineroad Industries, a PRC company directly and wholly-owned by Mr. Huang, and 5% by Ms. Chen, the spouse of Mr. Huang.

Shineroad Industries was established in the PRC on 29 January 1996 with a registered capital of RMB1,000,000, which was held as to 90% by Mr. Huang and 10% by Mr. HH Huang. From December 2000 to February 2003, Mr. Huang and Mr. HH Huang had gradually and proportionally increased their respective capital contributions in Shineroad Industries. As a result of the capital contributions, the registered capital of Shineroad Industries had increased from RMB1,000,000 to RMB48,000,000 in February 2003. On 9 August 2007, Mr. Huang and Mr. HH Huang entered into an equity transfer agreement pursuant to which Mr. HH Huang agreed to transfer his 10% equity interests in Shineroad Industries to Mr. Huang at the consideration of RMB4,800,000. The consideration was determined with reference to Mr. HH Huang's contribution in the capital of Shineroad Industries. Upon completion of the above equity transfer, Shineroad Industries was wholly-owned by Mr. Huang. The principal business of Shanghai Industries was distribution of food ingredients and food additives.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 21 November 2013, the then equity holders of Shanghai Shineroad resolved that Shineroad Industries would increase its capital contribution in Shanghai Shineroad by RMB10,000,000, thereby increasing the registered capital of Shanghai Shineroad from RMB10,000,000 to RMB20,000,000. Upon completion of the above capital contribution, Shanghai Shineroad was held as to 97.5% by Shineroad Industries and 2.5% by Ms. Chen.

The principal business of Shanghai Shineroad is distribution of food ingredients and food additives.

In 2015 and 2016, Mr. Kwan Ling Kun had subscribed for and then disposed equity interest in Shanghai Shineroad. For details, please refer to “Reorganisation”. Upon completion of the Reorganisation, Shanghai Shineroad’s registered capital increased to RMB20,202,000 and became an indirectly wholly-owned subsidiary of our Company. On 5 May 2017, the shareholder of Shanghai Shineroad resolved to increase its registered capital by RMB60,000,000. The registered capital of Shanghai Shineroad was increased to RMB80,202,000 and fully paid-up on 21 July 2017.

Guangzhou Jieyang

Guangzhou Jieyang was established in the PRC on 16 November 2010 with a registered capital of RMB3,000,000, which was held as to 90% by Shineroad Industries and 10% by Mr. HB Huang, a brother of Mr. Huang.

The principal business of Guangzhou Jieyang is distribution of food ingredients and food additives.

Upon completion of the Reorganisation, Guangzhou Jieyang became a wholly-owned subsidiary of our Company, details of which are set out in the sub-section headed “Reorganisation” in this section.

Beijing Shineroad

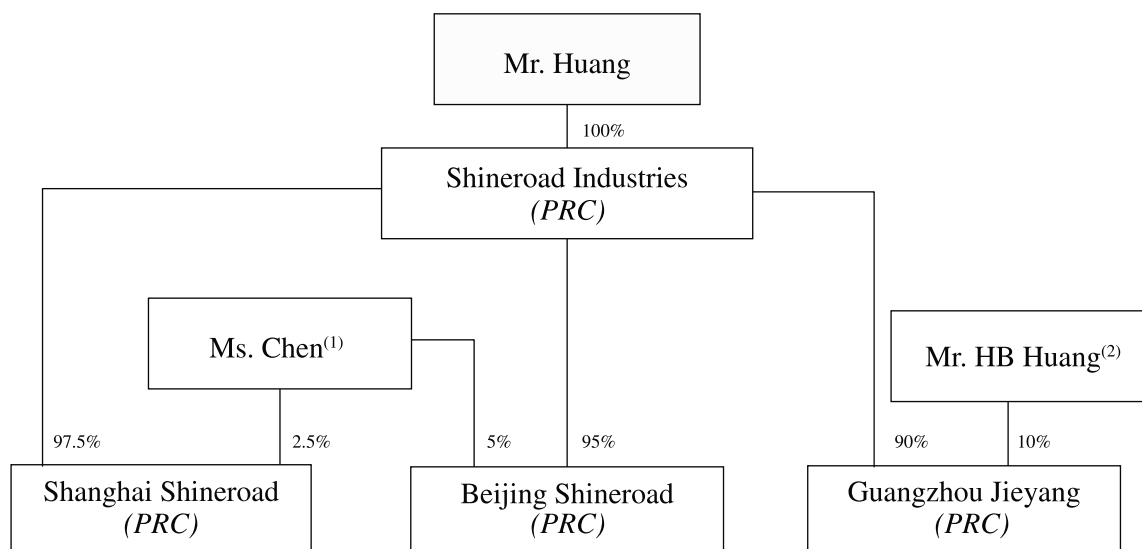
Beijing Shineroad was established in the PRC on 11 July 2011 with a registered capital of RMB3,000,000, which was held as to 95% by Shineroad Industries and 5% by Ms. Chen.

The principal business of Beijing Shineroad is distribution of food ingredients and food additives.

Upon completion of the Reorganisation, Beijing Shineroad became a wholly-owned subsidiary of our Company, details of which are set out in the sub-section headed “Reorganisation” in this section.

REORGANISATION

The corporate structure of our Group immediately before the Reorganisation is set out below:



Notes:

- (1) Ms. Chen is the spouse of Mr. Huang.
- (2) Mr. HB Huang is a brother of Mr. Huang.

In preparation for the Listing, we underwent the Reorganisation which involves the following major steps:

(1) Shanghai Shineroad became wholly-owned by Mr. Huang

On 1 September 2014, Ms. Chen and Mr. Huang entered into an equity transfer agreement pursuant to which Ms. Chen agreed to transfer her 2.5% equity interests in Shanghai Shineroad to Mr. Huang at the consideration of RMB500,000. The consideration was determined with reference to Ms. Chen's contribution in the capital of Shanghai Shineroad. The transfer was legally completed and settled on 26 November 2014. Upon completion of the above equity transfer, Shanghai Shineroad was wholly-owned by Mr. Huang, among which 97.5% was held by Shineroad Industries, a direct wholly-owned company of Mr. Huang and 2.5% was held directly by Mr. Huang.

(2) Acquisition of Guangzhou Jieyang by Shanghai Shineroad

On 1 November 2015, Shineroad Industries, Mr. HB Huang and Shanghai Shineroad entered into an equity transfer agreement pursuant to which Shineroad Industries agreed to transfer its 90% equity interests in Guangzhou Jieyang and Mr. HB Huang agreed to transfer his 10% equity interests in Guangzhou Jieyang to Shanghai Shineroad at the considerations of

RMB6,448,000 and RMB716,000, respectively. The consideration paid to each of Shineroad Industries and Mr. HB Huang was determined with reference to the proportion of their equity interests in Guangzhou Jieyang and the net asset value of Guangzhou Jieyang based on its management accounts as at 31 October 2015. The considerations were fully settled on 31 December 2015. Upon completion of the above equity transfers, Guangzhou Jieyang was wholly-owned by Shanghai Shineroad.

(3) Incorporation of Shineroad Group, our Company, Shineroad Holdings and Shineroad Food

Shineroad Group

On 12 November 2015, Shineroad Group was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 20 November 2015, 1 fully paid ordinary share of Shineroad Group, representing its then entire issued share capital, was issued and allotted at par to Ms. XR Huang, the daughter of Mr. Huang. On 4 May 2017, the one share in Shineroad Group held by Ms. XR Huang was transferred to Ocean Town. For details, please refer to the sub-section headed “Reorganisation” below. The principal business of Shineroad Group is investment holding.

Our Company

On 26 November 2015, our Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 per Share. One nil-paid Share was allotted and issued to the subscriber, Reid Services Limited, which was later transferred to Shineroad Group on 26 November 2015. On 3 May 2017, 999 Shares was allotted and issued to Shineroad Group at the consideration of US\$14,500,000. On 15 June 2017, 1,000 Shares was allotted and issued to Shineroad Group at the consideration of US\$2,400,000. Following completion of the said allotments and issues, our Company had a total of 2,000 Shares in issue and was wholly-owned by Shineroad Group. The principal business of our Company is investment holding.

Shineroad Holdings

On 1 December 2015, Shineroad Holdings was incorporated in the BVI with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 1 December 2015, 1 fully paid ordinary share of Shineroad Holdings was issued and allotted at par to our Company. The principal business of Shineroad Holdings is investment holding.

Shineroad Food

On 9 December 2015, Shineroad Food was incorporated in Hong Kong with limited liability with an issued capital of HK\$1 divided into 1 share, which was allotted and issued to Shineroad Holdings on the same day. The principal business of Shineroad Food is investment holding.

(4) Change of Shareholdings in Shanghai Shineroad

On 30 November 2015, Shineroad Industries, Mr. Huang and Mr. Kwan Ling Kun (“**Mr. Kwan**”), a Malaysian and an Independent Third Party, entered into a capital increase agreement pursuant to which Mr. Kwan agreed to inject an amount of RMB522,000 into the capital of Shanghai Shineroad (among which RMB202,000 would be accounted for payment of the additional registered capital of Shanghai Shineroad and RMB320,000 would be accounted for capital reserve) in exchange for 1% equity interest in Shanghai Shineroad. The amount of consideration contributed by Mr. Kwan was determined on arm’s length negotiation with reference to, amongst others, the net asset value of Shanghai Shineroad as at 31 October 2015 based on its management accounts. As at 29 August 2016, the subscription amount of RMB522,000 was fully paid by Mr. Kwan. Upon completion of the above capital increase, the registered capital of Shanghai Shineroad increased from RMB20,000,000 to RMB20,202,000 and Shanghai Shineroad was owned as to 96.525% by Shineroad Industries, 2.475% by Mr. Huang and 1% by Mr. Kwan.

Mr. Kwan had engaged in food ingredients and food additives industry for over 40 years, 20 of which with exposure in China. Mr. Kwan was acquainted to our Group and Mr. Huang through business and social acquaintance. The introduction of Mr. Kwan as a new equity holder in Shanghai Shineroad was carried out with an intention to bring in his expertise into our Group and strengthen the relationship with our suppliers and customers.

(5) Acquisition of Beijing Shineroad by Shanghai Shineroad

On 20 December 2015, Shineroad Industries and Ms. Chen and Shanghai Shineroad entered into an equity transfer agreement pursuant to which Shineroad Industries agreed to transfer its 95% equity interests in Beijing Shineroad and Ms. Chen agreed to transfer her 5% equity interests in Beijing Shineroad to Shanghai Shineroad at the considerations of RMB5,280,000 and RMB277,800, respectively. The consideration paid to each of Shineroad Industries and Ms. Chen was determined with reference to the proportion of their equity interests in Beijing Shineroad and the net asset value of Beijing Shineroad as at 30 November 2015 based on its management accounts. The considerations were fully settled on 28 January 2016. Upon completion of the registration of the above equity transfers, Beijing Shineroad was wholly-owned by Shanghai Shineroad.

(6) Incorporation of Ocean Town

On 6 April 2016, Ocean Town was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 6 April 2016, 1 fully paid ordinary share of Ocean Town was issued and allotted at par to Mr. Huang. The principal business of Ocean Town is investment holding.

(7) Acquisition of Shanghai Shineroad by Shineroad Food from Shineroad Industries

In early 2017, due to change of his retirement plan, Mr. Kwan intended to exit his investment in Shanghai Shineroad by selling his interest therein back to our Group.

Shineroad Industries was previously engaged in the business of food ingredients and food additives distribution and other businesses and investments by itself and through its subsidiaries. Since the establishment of Shanghai Shineroad, with the view to (i) simplifying our Group structure and reducing the administrative expenses of maintaining a separate legal entity and (ii) delineating the principal business and investments of our Group and the businesses and investments in other areas engaged by Shineroad Industries and its other subsidiaries, we intended to divest Shineroad Industries from our Group. We gradually reduced the food ingredients and food additives business of Shineroad Industries and used Shanghai Shineroad as our principal operating vehicle and the holding company of the other two operating subsidiaries of our Group (namely, Beijing Shineroad and Guangzhou Jieyang) as discussed above. Shineroad Industries had not conducted sale and purchase transactions with our Group since January 2016. Since September 2017, it has completely ceased operation on business related to food ingredients, food additives or packaging materials. Shineroad Industries will not engage in business related to food ingredients, food additives or packaging materials going onwards and its business licence did not cover such businesses as at the Latest Practicable Date.

Accordingly, on 7 February 2017, Shineroad Industries, Mr. Huang, Mr. Kwan and Shineroad Food entered into an equity transfer agreement pursuant to which Shineroad Industries, Mr. Huang and Mr. Kwan agreed to transfer its/his 96.525%, 2.475% and 1% equity interests in Shanghai Shineroad to Shineroad Food at the considerations of US\$5,487,252.93, US\$140,698.80 and US\$56,848 (equivalent to approximately RMB37,644,750, RMB965,250 and RMB390,000), respectively. The considerations paid by Shineroad Food to each of Shineroad Industries, Mr. Huang and Mr. Kwan were determined on arm's length negotiation with reference to, amongst others, the net asset value of Shanghai Shineroad (after having considered the dividend distributed in February and April 2017) as at 30 April 2017 based on its management account. The considerations were fully settled to Shineroad Industries, Mr. Huang and Mr. Kwan on 23 May 2017, 5 July 2017 and 23 May 2017, respectively. Upon completion of the above equity transfer which took place on 4 May 2017, Shanghai Shineroad was wholly-owned by Shineroad Food.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As advised by our PRC Legal Advisers, Shineroad Industries had complied with all applicable PRC laws and regulations in all material aspects and was not involved in any material claims, litigation or legal proceedings during the Track Record Period.

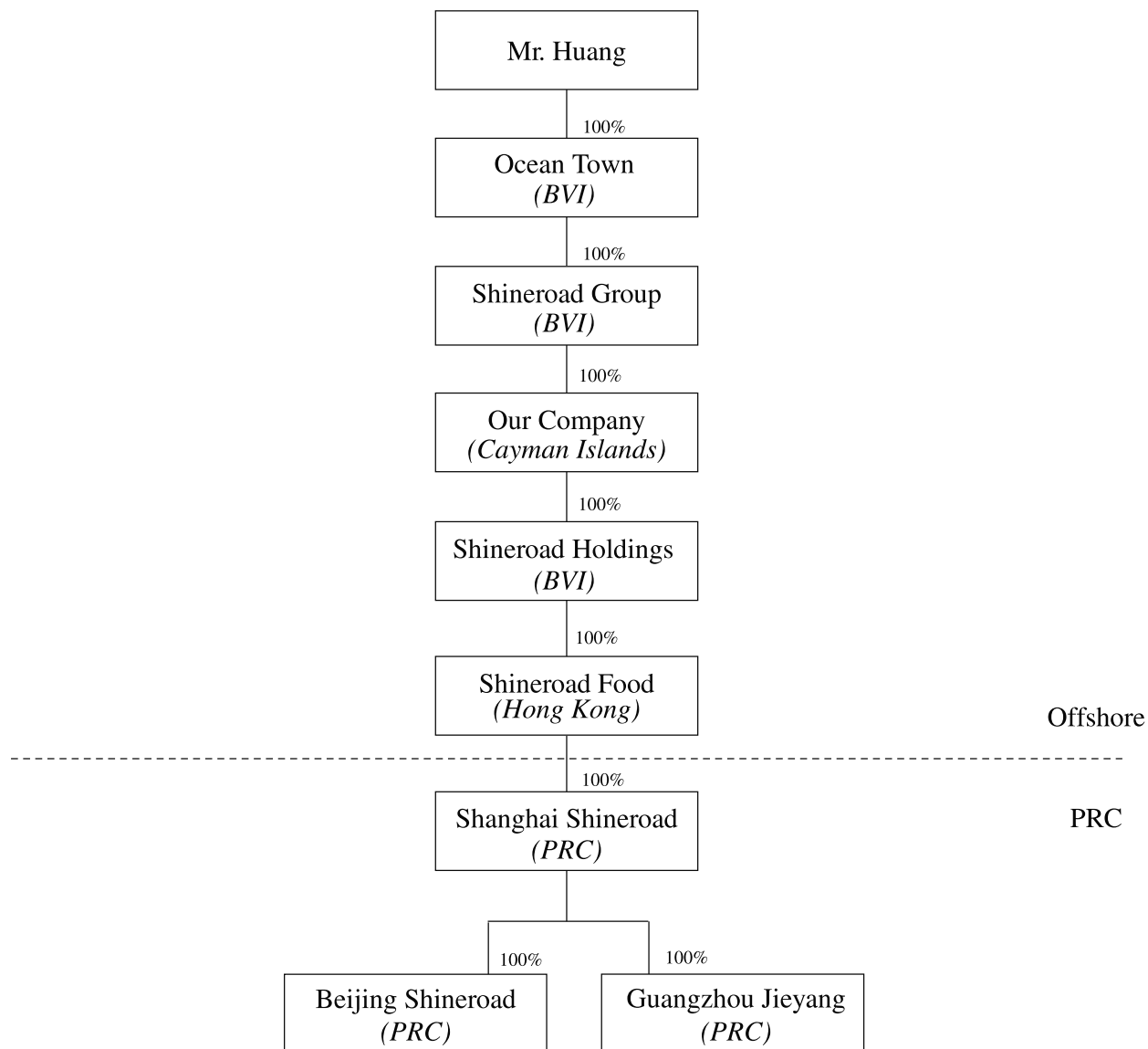
(8) Acquisition of Shineroad Group by Ocean Town

On 4 May 2017, Ms. XR Huang and Ocean Town entered into a sale and purchase agreement, pursuant to which Ms. XR Huang agreed to transfer the entire issued share capital in Shineroad Group to Ocean Town at the consideration of US\$1. The consideration was determined with reference to the par value of the then issued share capital in Shineroad Group and fully settled on 4 May 2017. Upon completion of the above equity transfer, Shineroad Group was wholly-owned by Ocean Town.

Our PRC Legal Advisers confirmed that the registered capital of each of our PRC subsidiaries has been fully paid in compliance with relevant PRC statutory requirements, and the aforesaid corporate actions in relation to each of our PRC subsidiaries were properly and legally completed and settled pursuant to relevant PRC statutory requirements.

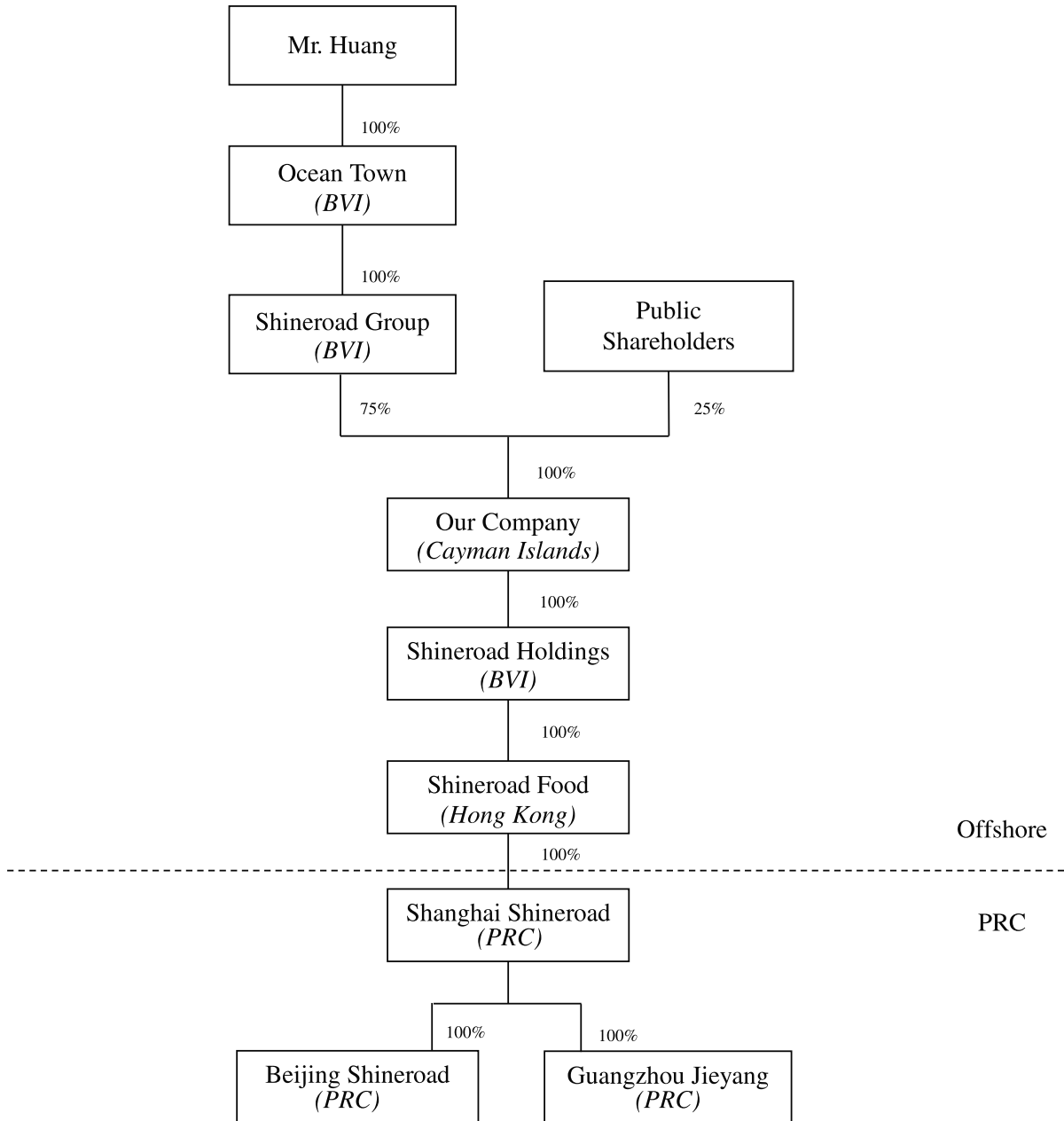
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The corporate structure of our Group after completion of the Reorganisation but before the Capitalisation Issue and Share Offer is set out below:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The corporate structure of our Group immediately upon completion of the Capitalisation Issue and the Share Offer (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) is set out below:



PRC REGULATORY ISSUES RELATING TO THE REORGANISATION

The Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in the PRC

According to the “Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors” (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”), jointly promulgated by six ministries and commissions, including MOFCOM, SAT, CSRC and SAFE, implemented on 8 September 2006 and amended on 22 June 2009 by MOFCOM, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls such that it becomes a foreign invested enterprise, the acquisition shall be subject to the examination and approval of the MOFCOM; and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company, any overseas listing of that special purpose company shall be subject to approval by the CSRC.

On 30 November 2015, Shineroad Industries, Mr. Huang and Mr. Kwan, a Malaysian, entered into a capital increase agreement pursuant to which Mr. Kwan agreed to inject an amount of RMB522,000 into the capital of Shanghai Shineroad, of which RMB202,000 was in exchange for 1% equity interest in Shanghai Shineroad and the remaining balance of RMB320,000 was accounted as capital reserve of Shanghai Shineroad. Shanghai Shineroad obtained the Certificate of Approval for Establishment of Enterprises with Foreign Investment on 2 March 2016 and the new business licence on 27 May 2016 for the aforesaid capital increase. In this respect, as advised by our PRC Legal Advisers, following the said capital increase, Shanghai Shineroad was a sino-foreign joint venture company; hence the acquisition of Shanghai Shineroad by Shineroad Food does not constitute a foreign merger or acquisition specified in the M&A Rules as Shanghai Shineroad was not a domestic company but a foreign invested enterprise before the acquisition, so the relevant reviewing and approving procedures required by the M&A Rules do not apply.

Therefore, as advised by our PRC Legal Advisers, the Reorganisation was not subject to the M&A Rules and it is not necessary for us to obtain approval from the CSRC or the MOFCOM for the Listing and trading of our Shares on the Stock Exchange.

SAFE REGISTRATION IN THE PRC

Pursuant to SAFE Circular No. 37, special purpose vehicle (“SPV”) refers to overseas companies directly incorporated or indirectly controlled by domestic residents (including domestic institutions and individual domestic residents) using the assets or rights and interests of domestic companies that they legally possess or the overseas assets or rights and interests they legally process for the purpose of investment or financing. A domestic resident shall, before contributing the domestic or overseas lawful assets or interests into a SPV, apply for going through the formalities for foreign exchange registration of overseas investment. According to our PRC Legal Advisers, Mr. Huang completed the registration of SAFE Circular No. 37 on 17 May 2017.

OVERVIEW

We are a distributor in the food ingredients and additives distribution industry with a focus on supplying food ingredients and food additives to food manufacturers in the PRC. According to the Frost & Sullivan Report, food ingredients are edible substances that are used in preparing a dish or food product. It refers to processed or small quantities of edible natural substances. Raw materials of the food ingredients are all natural substances which generally do not have a restriction of usage amount and can improve the quality of food and the processing performance. It can be further classified into two categories, namely (i) main food ingredients and (ii) accessorial food ingredients. Main food ingredient includes meat based, fish based, fruit based and dairy based ingredients etc. whereas accessorial food ingredients include starch, modified starch, starch sugar, sugar alcohol, special flour, yeast products, oligosaccharides, proteins, cocoa products, other functional food ingredients etc. The major types of food ingredients sold by our Group are dairy based ingredients such as sweetened condensed milk, milk powder and creamer powder and other food ingredients such as tea powder and coffee powder. Food additives, on the other hand, are any substances added to food for the purposes of flavour preservation, taste enhancement, appearance and safety improvement, which are commonly used in the production, processing, treatment, packaging, transportation and/or storage of food. There are two major categories of food additives, including (i) direct food additives which intentionally added to food for a specific functional purpose in controlled amount, while (ii) indirect food additives refer to substances that unintentionally become part of the food in trace amounts through packaging, storage or other handling. The major types of food additives sold by our Group are emulsifiers, food flavouring, food stabilisers and food colouring.

With over 21 years of experience in the food ingredients and additives distribution industry, we have an extensive product portfolio of over 1,000 food ingredients and food additives offering to a wide array of customers in the PRC. Our product management centre provides centralised management of our product portfolio and keeps track of the PRC and international food ingredients and additives industry market trend. It performs a combination of functions such as formulation of sales and marketing strategies, conducting market analysis as to products and their relevant sales channels, initiating product development projects at our technology centre, setting sales targets and tracking sales performance of our different product lines and management of our Group's long-term relationship with our suppliers.

Our research and development capacity has distinguished us from other competitors in the food ingredients and additives distribution industry and provides us a unique edge to develop our reputation and our diversified customer networks. We established our technology centre comprising our laboratory at our Shanghai office in 2012. Since 2012, our technology centre staff has been working with our suppliers in experimenting and exploring the application methods of the products provided by our suppliers. Our technology centre is capable of providing one-stop food ingredients application solutions to our customers. These application solutions include development of food manufacturing solutions, formula refinement and taste enhancement which allow our customers to

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manufacture food products with better texture, more stable product quality and longer shelf life. For further details on our developed food application solutions, please refer to the paragraph headed “Business — Research and development” in this section.

Leveraged on our experience in the food ingredients and additives distribution industry, we have built strong relationships with our suppliers. We principally source our products that are supplied to our customers from food ingredients and food additives manufacturers worldwide. Our Directors believe that our suppliers constitute an important channel for us to procure a wide spectrum of products for our customers. As a result of our continuous effort in ensuring a stable supply of products and enriching our product portfolio, we included over 100 new product varieties to our product portfolio during the Track Record Period. Upon identification of suitable food ingredients or food additives for our customers or potential customers, our product management team will commence negotiation with suppliers in terms of unit price and quantity. While we generally procure food ingredients and food additives through purchase orders, we also enter into exclusive and non-exclusive distribution agreements with certain of our major suppliers. To signify our long established relationships with our major suppliers and to maintain a stable supply of high quality food ingredients and additives, we strive to establish supplier-distributor relationship with our internationally renowned suppliers. As at the Latest Practicable Date, our Group is the regional exclusive distributor of Sensient in Eastern China and its exclusive distributor for supplying its products to Want Want (旺旺) and the exclusive distributor of Supplier L in the PRC for supplying certain types of vegetable fat powder and cocoa butter substitute. Our Group is also the non-exclusive distributor of certain major suppliers such as Mitsubishi, Rettenmaier, Supplier G — a reputable food additives manufacturer for vanillin originated from Belgium, and Supplier A — an internationally renowned dairy products manufacturer originated from Switzerland, and Supplier K — an international food ingredients and additives manufacturer originated from Ireland.

During the Track Record Period and as at the Latest Practicable Date, we have supplied food ingredients and food additives to over 2,000 customers in the PRC which vary in terms of sizes, business natures and types of end products offered. Some of our customers are internationally well-known food manufacturers such as Want Want (旺旺) and Fujiya (不二家). Our customers can be broadly categorised into (i) confectionery and chocolate manufacturers; (ii) beverage manufacturers; (iii) dairy products manufacturers; (iv) bakery products manufacturers; (v) food additives manufacturers and trading companies; (vi) oil and grease manufacturers; (vii) restaurants; (viii) health supplements manufacturers; and (ix) others. For each of the three years ended 31 December 2015, 2016 and 2017, sales to our five largest customers amounted to approximately RMB162.5 million, RMB139.0 million and RMB129.1 million, respectively representing approximately 35.6%, 27.7% and 24.5% of our sales during the period. We maintained stable and long-term relationships with our major customers. Up to the Latest Practicable Date, we have established relationship ranging from 6 years to 20 years with our five largest customers during the Track Record Period. For further details on our revenue generated by each type of customers during the Track Record Period, please refer to the paragraph headed “Business — Customers” in this section.

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The table below sets forth our breakdown of revenue contribution by products categories for each of the three years ended 31 December 2015, 2016 and 2017 respectively:

	For the year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Food ingredients	263,326	303,969	312,169
Food additives	180,588	188,586	211,580
Packaging materials	<u>12,139</u>	<u>8,731</u>	<u>4,186</u>
Total	<u><u>456,053</u></u>	<u><u>501,286</u></u>	<u><u>527,935</u></u>

COMPETITIVE STRENGTHS

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

Our technology centre possesses strong research and development capabilities

The research and development capabilities of our technology centre give us a competitive edge in adapting quickly to changing market conditions and capturing new market opportunities in the food ingredients and additives distribution industry. As at the Latest Practicable Date, we had an experienced technology team of 11 people in our technology centre. Led by Ms. Fan who has 12 years of experience in the food ingredients and additives distribution industry, our technology team is responsible for conducting researches on the application methods of our sourced products and improving the quality of our customers' food and beverage end products. Out of the eleven members of our technology team, eight of them hold bachelor degrees or above.

Our technology centre is located at our Shanghai office and is equipped with sophisticated laboratory equipment, including but not limited to high and low temperature test chamber, rotary viscometre, transparent polarising microscope, high pressure homogeniser, spray dryer, miniature tube steriliser, high-speed shearing machine, continuous pneumatic mixer, ice cream machine and texture analyser. At our technology centre, we are capable of conducting food application experiments on the products in our portfolio or our suppliers' products. Some of our major suppliers, such as Supplier A — an internationally renowned dairy products manufacturer originated from Switzerland, Mitsubishi and Rettenmaier utilised our research and development capabilities and sent their product development team staff to our technology centre to participate in our food application experiments. Through our food application experiments, we are able to develop and introduce to our customers food and beverage formulae with enhanced features such as better taste, improved texture, more stable product quality and lengthened shelf life. Depending on the circumstances, after the food application experiments, we would sometimes send our staff to our suppliers' or customers' manufacturing plant for production line assessment and adjustment. Small batch production of the new products or improved products will be conducted there. If the

BUSINESS

customers are satisfied with the result of the small batch production, they would make purchases with us in respect of our suggested products applied/involved in the food application experiments. Our Directors believe the reason why our suppliers and customers prefer conducting food application experiments and developing food formulae at our technology centre than utilising their own research and development facilities is that we have access to an extensive platform of over 2,000 types of food ingredients and food additives. Most of our suppliers and customers are food manufacturers where they only have access to food ingredients and food additives they commonly used in their manufacturing process. It would be burdensome and cost ineffective for them to procure a small quantity of different food ingredients and additives solely for the purpose of research and development. As a distributor of food ingredients and food additives, we are capable of providing flexible product combination suggestions to our customers and suppliers in developing new food formulae by selecting suitable ingredients from our existing product portfolio. For each of the three years ended 31 December 2015, 2016 and 2017, we have engaged in 146, 69 and 129 product application projects. Our successful food and beverage formulae developed include plant-based protein drinks and packaged coffee.

Our Directors believe that with our research and development capabilities and our ability to satisfy our customers' needs on a continual basis, we are able to establish close ties and achieve further and broader collaborations with our customers, which place us in a favourable position to obtain more recurring businesses and will continue to contribute to the success of our Group with a solid recurring income base.

We have a long-standing reputation in the food ingredients and additives distribution industry and established relationships with our major suppliers

With over 21 years of experience in the food ingredients and additives distribution industry, our Group has become an established food ingredients and additives distributor in the PRC. We have well-established and stable business relationships with our major suppliers of internationally renowned brands in the food and beverage industry. During the Track Record Period and up to the Latest Practicable Date, we sourced food ingredients and food additives from around 200 suppliers. Our suppliers include (i) internationally renowned food ingredients brands such as a dairy products manufacturer originated from Switzerland; (ii) reputable food additives manufacturers such as Mitsubishi, Sensient, Rettenmaier and a food additives manufacturer for vanillin originated from Belgium; and (iii) a packaging materials manufacturer, Shell. We believe our suppliers provide us with a wide spectrum of products for our customers' choice and we devoted continuous efforts in locating new suppliers. In order to secure our market share in the food ingredients and food additives distribution industry and to maintain a stable source of supply, we enter into exclusive and non-exclusive distribution agreements with certain reputable suppliers. For each of the three years ended 31 December 2015, 2016 and 2017, our total purchase amount with suppliers with distribution agreements were approximately RMB286.9 million, RMB350.7 million and RMB333.3 million, respectively representing approximately 76.9%, 81.1% and 77.7% of our total purchase amount during the period. In 1999, we have become the distributor of an internationally renowned dairy products manufacturer originated from Switzerland in the region of East China. We believe that we have been able to secure our appointment as distributors of these internationally renowned

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brands due to our proven track record in distribution of food ingredients and food additives in the past, our extensive distribution network and our capital resources. For further details about the distributor-supplier relationships between our Group and our suppliers, please refer to the paragraph headed “Business — Suppliers” in this section.

Our Directors believe we will continue to benefit from our stable business relationships with these internationally renowned suppliers such as the internationally renowned dairy products manufacturer originated from Switzerland and Mitsubishi by enjoying the procurement of high quality food ingredients and food additives and the reliability of supply which in turn appeal to our renowned food manufacturing customers and act as an endorsement of our procurement capability and reputation in the food ingredients and additives distribution industry.

We are capable of offering an extensive product portfolio to our customers and our product management centre provides centralised management of our product portfolio

Our extensive product portfolio is crucial to our success in the food ingredients and additives distribution business in the PRC. As at the Latest Practicable Date, we had a broad portfolio of over 1,000 products that are well recognised by our customers. It enables us to offer a flexible and wide range of products to cater to the demands and requirements of our customers.

Our product management centre is responsible for the overall management of our product portfolio and strategic planning. Based on the needs and feedbacks of our customers, our product management team devotes continuous efforts in enriching and refining our product portfolio. Each product manager in the product management centre is assigned with specific supplier(s) or product(s). A product manager can perform a combination of functions in relation to the assigned supplier(s) or product(s) ranging from market research, formulation of sales and marketing strategies, initiating product development projects at our technology centre, setting sales targets and costs budget, tracking sales performance to the management of our relationship with our suppliers. Our Directors believe that our product management centre provides us with a competitive edge in the food ingredients and additives distribution industry by centralising the management of product portfolio. It enables our Group to respond to the changing appetites in the consumers’ market in an effective manner.

We have a wide and diversified customer base with long and established relationships with our major customers

With our long operating history, our Group has established and maintained a solid customer base over the years across different provinces in the PRC. During the Track Record Period, we supplied food ingredients and additives to over 2,000 customers. Our core customers include Want Want (旺旺), Fujiya (不二家), a well-known confectionary and chocolate manufacturer headquartered in Italy, an internationally renowned beverage manufacturer headquartered in the U.S., a reputable beverage manufacturer headquartered in Taiwan, and other reputable food ingredients and additives processing companies, manufacturers and trading companies. Leveraging on our extensive network of customers, we are able to sustain constant revenue in a highly fragmented and competitive market. With our dedication to good quality and service, in particular,

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the ability to provide food application solutions, we have earned recognition and goodwill from our customers. Our Directors believe that our broad and longstanding customer base serves as an effective platform for us to introduce new products sourced from our suppliers and to enrich our product portfolio which in turn enhances our market share and position in the industry.

Our established relationships with these internationally renowned corporations and our reputation in the market enable us to expand our customer base to other large and reputable corporations.

Our experienced management team has a proven track record

We believe that a stable and dedicated management team is crucial to the provision of high quality services to our customers. The key members of our senior management team have extensive experience in the food ingredients and additives distribution industry. Mr. Huang, our Chairman and an executive Director, has over 24 years of experience in the food ingredients and additive distribution industry. Mr. Li, our Chief Executive Officer and executive Director, has also accumulated 17 years of operational experience in the food ingredients distribution industry. Our management team includes different teams responsible for different areas such as product management, technology, purchase and order, sales and marketing and inventory management and transportation management. Please refer to the section headed “Directors and Senior Management” in this prospectus for further details and biographies of our Directors and senior management.

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BUSINESS STRATEGIES

We aim to maintain our market position in the PRC. We will continue to expand our market share by adopting the following strategies:

Expand our market share by setting up branch offices to increase our sales points

We believe that setting up additional office premises at different areas in the PRC will enable us to achieve a wider coverage of sales, increase our market share in the PRC and reduce our response time to customers located at these areas. We currently have offices in Shanghai, Beijing and Guangzhou. During the Track Record Period, majority of our revenue were generated from the peripheral areas of our existing offices such as Shanghai, Zhejiang, Guangdong, Jiangsu, Beijing and Fujian. Set out below is the breakdown of our revenue and gross profit by geographical regions during the Track Record Period:

	Revenue			Gross profit		
	For the year ended 31 December			For the year ended 31 December		
	2015	2016	2017	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Shanghai	197,165	179,879	185,740	32,443	31,895	37,618
Zhejiang	85,154	101,114	105,817	14,066	13,857	14,837
Guangdong	59,217	77,459	80,488	6,526	9,180	6,313
Jiangsu	44,431	53,395	56,745	10,658	9,438	11,785
Beijing	25,582	24,602	31,756	4,448	4,629	6,739
Fujian	12,552	13,954	14,807	1,492	1,880	1,586
Inner Mongolia						
Autonomous region	4,955	11,278	9,961	1,072	1,633	1,054
Liaoning	2,437	4,268	3,617	312	548	334
Shandong	3,749	1,983	3,804	694	585	988
Hubei	1,776	1,464	677	(155) ^{Note 1}	158	165
Sichuan	612	1,092	740	76	121	103
Shaanxi	129	539	704	9	124	135
Yunnan	44	13	5	5	3	1
Other	18,250	30,246	33,074	1,311	2,521	3,550
Total	<u>456,053</u>	<u>501,286</u>	<u>527,935</u>	<u>72,957</u>	<u>76,572</u>	<u>85,208</u>

Note:

- We recorded a gross loss of approximately RMB155,000 in our sales in Hubei province for the year ended 31 December 2015. Such loss was mainly attributable to the discount offered to a customer in relation to the sale of slightly overstocked milk powder in that year.

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For each of the year ended 31 December 2015, 2016 and 2017, the aggregate revenue generated from Shanghai, Zhejiang, Guangdong, Jiangsu, Beijing and Fujian were approximately RMB424.1 million, RMB450.4 million and RMB475.4 million respectively, representing approximately 93.0%, 89.8% and 90.0% of our total revenue during the same period. Although we have been able to sell our products nationally for years, our sales and marketing strategy focused on developing customers with proximity to our existing offices. The reasons for adopting such strategy include (i) maintaining a stable market share and reinforcing reputation in the peripheral areas so that our Group will attract more new customers in these areas; (ii) cost and time effectiveness in maintaining the relationship with our existing customers (for instance, shortening the time required for our sales personnel paying visits to customers' offices); and (iii) saving transportation costs and time for delivery of products to our customers as we are generally responsible for the delivery costs.

Due to our existing sale and marketing strategy to focus on the peripheral areas of Shanghai, Beijing and Guangzhou, we may not be able to provide service in a timely manner to customers located out of these cities. In this connection, we plan to set up branch offices at Yunnan province, Sichuan province, Shaanxi province, Liaoning province, Inner Mongolia Autonomous Region, Shandong province and Hubei province in 2018 and 2019. During the Track Record Period, the aggregate revenue generated from Yunnan, Sichuan, Shaanxi, Liaoning, Shandong and Hubei provinces and Inner Mongolia Autonomous region amounted to approximately RMB13.7 million, RMB20.6 million, and RMB19.5 million respectively, representing approximately 3.0%, 4.1% and 3.7% of our total revenue. Our Directors believe that, even though our marketing strategy is not focused on these regions, the sales in the seven regions can be credited to our long-standing reputation in the industry and the attractiveness of the broad product portfolio offered by us. By setting up branch offices in Yunnan, Sichuan, Shaanxi, Liaoning, Shandong and Hubei provinces and Inner Mongolia Autonomous region, it will bring forth benefits to our Group by catching the growth in demand for food ingredients and its food additives in these regions and expanding our sales and marketing strategies to cover these regions. The market of food ingredients and additives distribution in Inner Mongolia Autonomous Region, Shandong, Liaoning, Shaanxi, Sichuan, Yunnan and Hubei are highly fragmented and competitive, attributable to the developed food industry and food processing enterprises in the aforesaid regions. According to Frost & Sullivan, the market size of food ingredients and additives distribution in the seven regions has been on a general increasing trend from 2017 to 2021.

According to National Bureau of Statistics of the PRC, the aggregate output value of animal husbandry in Yunnan, Sichuan, Shaanxi, Liaoning, Shandong and Hubei provinces and Inner Mongolia Autonomous region recorded a growth from RMB1,014.2 billion in 2012 to RMB1,095.9 billion in 2017, representing a CAGR of 1.6%. In addition, the aggregate output value of animal husbandry in the aforesaid provinces and regions accounted for 36.2% of total value, out of 31 provinces and regions, in the PRC in 2017, reflecting the importance of supply of dairy products from these regions in the PRC. Similarly, the aggregate production volume of milk, which is considered one of the key ingredients of dairy product, accounted for approximately 40% of total

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production in PRC in 2016. In particular, Inner Mongolia Autonomous region is the leading province in the PRC for production of milk and dairy products, which accounted for over 20% of total production of milk in the PRC in 2016.

Demand for dairy product production in the PRC is supported by local government policy. For instance, according to the Frost & Sullivan Report, Circular of the People's Government of Inner Mongolia Autonomous Region on Printing and Distributing the 「13th Five-Year Plan」 Industrial Development Plan* (《內蒙古自治區人民政府關於印發自治區「十三五」工業發展規劃的通知》) sets out the PRC government's target to transform the dairy product industry in Inner Mongolia Autonomous Region and to strengthen the value and position of dairy brands and enterprises in the region. In addition, the National Dairy Industry Development Plan (2016–2020)* (《全國奶業發展規劃(2016–2020年)》) promulgated by the PRC government in 2017 also estimated that the demand for dairy products may reach 58 million tons by 2020, with a yearly growth rate of 3.1% during 2016 to 2020.

Further, setting up branch offices in the seven regions also allows our Group to have more efficient access to the suppliers of food ingredients in the vicinity. Although we sourced our products from suppliers of internationally renowned brands, the food ingredients and food additives were usually transported from different locations in the PRC depending on the actual location of the suppliers' local factories. For instance, one of our major food ingredients supplier, Supplier A, has its manufacturing facilities in Shandong and Heilongjiang provinces. As we are generally responsible for the transportation costs for products we sold to our customers, establishing branch offices (including the establishment of local sales representative office and warehouse) in the seven regions in addition to our existing warehouses in Guangzhou and Shanghai will reduce the transportation costs borne by us and provide flexibility to our product procurement plans as it will shorten the time required for the procured products to arrive our warehouses. In addition, distributors in close proximity to the provinces where major food additives and ingredients are produced are more advantageous in market competition due to (i) lower transportation cost for distribution to customers near the regions; (ii) implementation of direct sales and marketing strategy to build up connection of local suppliers and customers for food ingredients and additives, (iii) enhancement of service level and market presence through reduced response time to customers in the regions and (iv) capture the growing downstream food manufacturing market in the regions.

Setting up branch offices in the seven regions would allow our Group to (i) source food ingredients from local suppliers at a relatively low transportation cost for distribution to customers near the regions; (ii) implement direct sales and marketing strategy to build up connection of local suppliers and customers for food ingredients add additives and increase our market share in such regions, (iii) enable our Group to effectively market the products through the sales personnel stationed in these regions and reduce the response time to customers in the regions and (iv) capture the growing downstream food manufacturing market in the key regions for dairy products. Our Group plans to finance the initial set up cost of the branch offices (including the rent, office equipment and human resources) by the net proceeds from the Share Offer and the internal resources of our Group. The major difference between the branch offices to be established in the

seven regions and the existing offices in Shanghai, Beijing and Guangzhou is that the branch offices will not have a separate accounting department. All finance and accounting matters of the branch offices will be dealt with in our existing offices.

Starting from late-2017, our Group has been gradually expanding its marketing focus to these seven regions in preparation of the establishment of the branch offices. This included sending sales personnel to the seven regions for sourcing new customers and visiting our existing customers on a regular basis. Since October 2017, we have entered into eight new sales and purchase agreements with the customers in these seven regions. Our Directors anticipate that, the growth in demand for our products will continue to increase after the establishment of the seven branch offices with sales personnel stationing in the branch offices which ensures a more effective implementation of the sales and marketing strategy in the regions.

Strengthen our purchasing power and continue to secure distribution agreements with quality food ingredients and additives suppliers

We believe that our future growth is dependent, to a large extent, on our ability to continue to secure stable suppliers for quality food ingredients and additives to support our sales growth and customers' needs. Therefore, we plan to continue building upon our relationships with our existing suppliers and new suppliers in the market and will strive to secure distribution agreements with them. In this regard, our Group is negotiating with two existing suppliers to acquire the distribution rights of their products. All of them supply quality food additives which are applicable to a wide variety of products. Our Group has entered into a distribution agreement with two of our existing suppliers, i.e. Supplier K and Supplier L, on 1 December 2017 and 19 April 2018, respectively. Under the distribution agreement with Supplier L, we were granted the exclusive distribution right of certain types of new products including vegetable fat powder and cocoa butter substitute. As for the non-exclusive distribution agreement with Supplier K, the products involved were certain new types of emulsifier and cheese powder. We plan to finance the cost of procuring the inventories based on the rolling forecast/procurement plan jointly prepared by the suppliers and us from time to time after securing the distribution rights by the net proceeds of the Share Offer and the internal resources of our Group. We generally work closely with our major supplier/distributors in preparing purchase forecast. For details of the distribution agreements with Supplier K and Supplier L, please refer to the paragraph headed "Distribution agreements" in this section.

Enhance our research and development capabilities

We believe that our capabilities in providing value-added service to our customers, our sensitivity to market trends and developments and prompt responses to rapidly changing consumer preferences are critical to our success in the food ingredients and additives distribution industry. Our future growth is therefore dependent on our research and development capabilities to offer more diversified food application solutions to our customers.

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In order to further enhance our capabilities, we plan to increase the scale of operation of our laboratory in Shanghai by acquiring new machinery and upgrading existing machinery. We plan to finance the cost of hiring additional talents and acquiring additional equipment by the net proceeds from the Share Offer and the internal resources of our Group.

Participate in promotional and marketing activities

Our Group strives to expand and improve our marketing channels to reach out to a wider customer base and ultimately improve our sales revenue. We plan to expand our network with potential customers and suppliers by participating in food ingredients and additives exhibitions. We plan to finance the costs of participating in the food ingredients and additives exhibitions (including the rent, advertising expense and set up cost) by the net proceeds from the Share Offer and the internal resources of our Group.

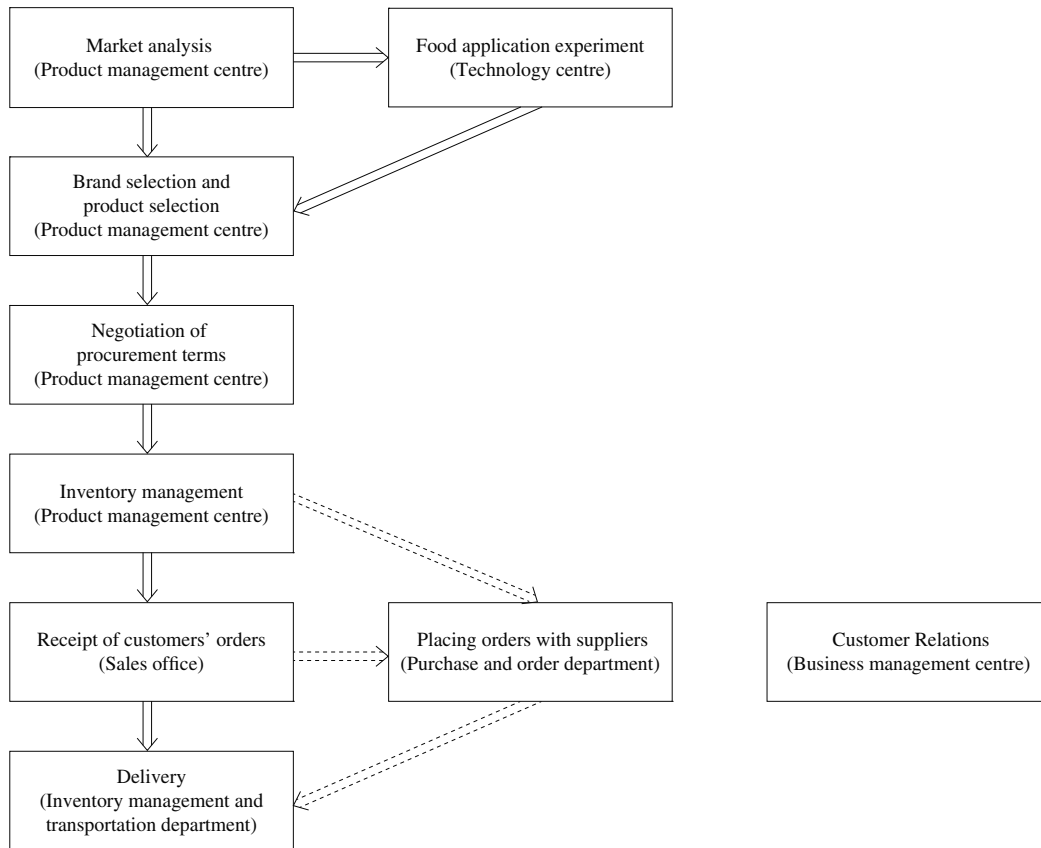
For further details of the implementation of the abovementioned strategies of our Group, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

BUSINESS MODEL

During the Track Record Period, our revenue was derived from distribution of food ingredients, food additives and packaging materials to food manufacturers and trading companies in the PRC. While we generally procure our products through purchase orders, we also enter into exclusive and non-exclusive distribution agreements with our major suppliers. The products procured from our suppliers were then sold and delivered to our customers which include (i) confectionery and chocolate manufacturers; (ii) beverage manufacturers; (iii) dairy products manufacturers; (iv) bakery products manufacturers; (v) food additives manufacturers and trading companies; (vi) oil and grease manufacturers; (vii) restaurants; (viii) health supplements manufacturers; and (ix) others.

OUR OPERATION FLOW

The following diagram illustrates our operation flow:



Market analysis and food application experiments

Our Directors believe our research and development capabilities offered by our product management centre and technology centre differentiate us from most of our competitors in the industry. Upon request by our customers or as initiated by our experienced product management team, we carry out market analysis including exploration and identification of new brands and new products, data collection and researches on the domestic and international market trend and review of our product portfolio.

Apart from market analysis, we also carry out food ingredients and additives application experiments at our technology centre. A food application experiment can be initiated by our staff from our product management centre, sales offices or technology centre. Upon receiving the joint approval from each of the directors of the product management centre, sales office and technology centre, the responsible technology staff will embark on the food application experiment. Some of our major suppliers, such as Supplier A, an internationally renowned dairy products manufacturer originated from Switzerland and Mitsubishi, sent their product development team to our technology centre to participate in our experiments and our food application experiments. Through our food application experiments, we are capable of offering our customers new product concepts, formulae

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refinement and taste enhancement based on suppliers' or customers' requests or our market analysis. Leveraging on the extensive experience and knowledge of our technology team, we are also capable of giving onsite production advice to our customers at their production facility and providing training sessions for the implementation of product concepts developed by our team.

Brand selection and product selection

Selection of brands is a crucial process in our food ingredients and additives distribution business. The inclusion of reputable brands in our product portfolio improves our competitiveness in the industry. We select our suppliers carefully by considering their brand reputation, product quality, price competitiveness and supply capabilities. As at the Latest Practicable Date, we had a broad portfolio of over 1,000 products that are well recognised by our customers.

Our product management centre monitors our product portfolio closely. Each product manager in the product management centre is assigned with specific product(s) and is responsible for tasks such as analysing historical sales performance, preparing costs budgets and sales projection. The product analysis prepared by product managers would in turn assist the management, including our director of product management centre, in formulating our Group's sales and marketing strategies in respect of different product categories and monitoring the implementation of such strategies.

Negotiation of procurement terms

For products that are not covered by the distribution agreements with our suppliers, we normally procure the relevant products by purchase orders upon receiving our customers' orders.

In order to secure our market share in the food ingredients and additives distribution industry and to maintain a stable source of supply, we enter into distribution agreements with our major suppliers with terms ranging from one to five years for the exclusive or non-exclusive sale and distribution rights of their products. The distribution rights granted by our suppliers are usually limited to specific geographic areas and/or specific products. When entering into a distribution agreement, we mainly consider (i) the reputation and image of the brand; (ii) the quality of the product including the on-going compliance with the relevant food safety laws in the PRC by the relevant supplier; (iii) the projected demand of our customers; and (iv) the prevailing market trend. Our Directors believe that entering into legally binding distribution agreements with major suppliers, whether exclusive in nature or not, is beneficial to our Group in consolidating our market position primarily because such arrangements solidify the business relationships as well as cultivating confidence and mutual co-operation between our Group and our major suppliers, thereby allowing our Group to secure sufficient supplies of highly demanded products and to maintain a diversified product portfolio.

Inventory management

Our Group has adopted an ERP system to constantly monitor our inventory level. Our product management team estimates the quantity of products to order from our suppliers on an on-going basis. Our product managers work with our suppliers to compile procurement rolling forecast

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regularly. Based on the record of historical orders made by our customers as captured by our ERP system and sales projection derived from our market analysis, our product management team will determine the inventory level to be kept by our Group for our popular products while our procurement staff will place the appropriate amount of purchase orders with our suppliers.

We procure products from our suppliers on an ongoing basis to maintain a reasonable level of inventory at a pre-set value to meet our business needs. When our inventory level falls below a pre-set value, our ERP system will generate an alert for further action by our procurement staff. For details of our inventory management, please refer to the paragraph headed “Business — Warehouses, inventory management and transportation — Inventory management” in this section.

For all products we source from our suppliers, we require the supplier to produce a certificate of analysis or sanitary certificate from China Entry-Exit Inspection and Quarantine Bureau in respect of the products delivered to us in order to certify that the products have complied with the relevant food safety laws and regulations. After the products have arrived at our warehouses, they are subject to our quality control procedures whereby our inventory management and transportation department will conduct quality and quantity checks to ensure that the products delivered to us are in good condition for sale. These measures include inspection on product specifications, sanitary level and intactness of packaging. For further details on our quality control measures, please refer to the paragraph headed “Business — Quality control” in this section.

Receipt of customers’ orders

Our sales offices are responsible for the sales function of our Group. We introduce selected products or new product concepts to our customers based on their specific needs and requirements. Sample products will be provided to our customers before entering into sales agreements. During the Track Record Period, we entered into sales agreements for the term ranging from six months to three years with certain of our major customers. For further details on the principal terms of the sales agreements between our customers and our Group, please refer to the paragraph headed “Business — Customers — Major terms in the sales agreements with our customers” in this section.

When a customer first approaches us, our business management centre will conduct basic background search on it such as company search. Once the customer is approved by us, its information will be inputted into our CRM system. Upon ascertaining the amount and price of purchase, our customers will place purchase orders with us. As our product management team monitors our inventory level and prepares sales projection and procurement rolling forecasts continuously, we generally have sufficient stock at our warehouses for our popular products.

Upon receipt of the orders, our business operation department will liaise with our inventory management and transportation department to conduct a stock check to ensure that there is stock available to complete the orders. If there are sufficient stocks available, our inventory management and transportation department team will arrange for delivery to our customers within three days or

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such other days as agreed between our customers and us. In the event that there is insufficient stock to fulfil the purchase orders, our purchase and order department will source and procure the required products from our suppliers.

Delivery

Our customers generally have specific delivery destinations and delivery time and date for each batch of their purchase orders. We offer our customers flexible transportation and delivery services of products from our warehouses (or directly from our suppliers) to their designated delivery destinations. Our customers may require same-day delivery services and may place their purchase orders in the morning, depending on the products involved and our delivery schedule, we may deliver the orders to their designated destinations on the same day. Our inventory management and transportation department will ensure that our products reach our customers in a timely manner.

We engage third-party logistics service providers to deliver our products to our customers' specified destinations. During the Track Record Period, we have engaged over 30 independent third party logistics service providers.

Customer Relations

Our business management centre handles matters relating to customer relations and provides after-sales services to our customers. Their duties include: (i) gathering feedback from customers about our products and services to ensure the quality of our food ingredients and additives and continuous improvement of our operations; (ii) handling queries from existing and potential customers about our products and services in a timely manner to ensure that we are able to capture potential business opportunities; (iii) collecting market information for our product development centre to perform market analysis; and (iv) providing assistance to customers after receiving complaints. Our business management centre has various sets of procedures and protocols to be followed by our staff in handling complaints and requests from our customers such as product return or exchange, technical support and application solutions.

PRODUCTS

We possess strong sourcing capabilities and are capable of offering an extensive product portfolio to our customers. During the Track Record Period, we offered more than 1,000 products to over 2,000 customers. Products distributed by our Group to our customers can be broadly categorised into the following types: (i) food ingredients; (ii) food additives; and (iii) packaging materials.

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Food ingredients

We sourced our food ingredients from international brands such as Supplier A, an internationally renowned dairy products manufacturer. Other than international brands, we also source food ingredients from domestic suppliers, such as Teaheals. Set out below is one of our major food ingredients brands procured by our Group during the Track Record Period:

International brand

Brand	Brand origin	Key product category	Application
Supplier A	Switzerland	Full cream sweetened condensed milk	For direct application on food products such as confectionery and dairy drinks
		Milk powder	For direct application on food products such as ice cream, confectionery and dairy drinks
		Creamer powder	For direct application on beverages such as coffee and dairy drinks, and soup bases
		Coffee powder	For direct application on confectionery, dairy products and beverage

Food additives

We source food additives from international brands as well as domestic brands. Food additives distributed by our Group include emulsifiers, food stabilisers and food flavourings with functions to improve the texture, taste and/or quality of food products. Set out below are some of the major products sourced from major brands by our Group during the Track Record Period:

International brands

Brand	Brand origin	Key product category	Application
Mitsubishi	Japan	Emulsifier — sucrose ester and polyglycerol ester	For stabilising the mixture of oil phase and water phase
JRS	Germany	Food stabiliser — microcrystalline cellulose	For increasing the suspension property of dairy drinks and stabilisation of particles
Sensient	United States	Food colouring	For providing fragrance, taste and colour to food products
Supplier G	Belgium	Vanillin	For providing fragrance to food products, widely used in food flavouring factories
Supplier K	Ireland	Emulsifier and cheese powder	For stabilising the mixture of oil phase and water phase, and for providing fragrance and taste to food products

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Domestic brands

Brand	Brand origin	Key product category	Application
Anhui BBKA	PRC	Citric acid	For providing sour flavour to confectionery and beverage

Packaging materials

All packaging materials distributed by our Group are plastic resins sourced from Shell. Set out below are the details of the packaging materials distributed by our Group during the Track Record Period:

Brand	Brand origin	Key product category	Application
Shell	Netherlands	Polyethylene plastic resins	For manufacturing packaging materials

SALES, MARKETING AND CUSTOMER SERVICES

Our Group sells all the products sourced from our suppliers directly to our customers and we do not engage any third party distributor for sales of any products. We believe that the direct sales business model provides us with better control over the range and categories of the products, reduces the lead time for inventory replenishments and enhances our profit margin.

We typically sell our food ingredients and additives to our customers by cash on delivery or on credit ranging from 7 to 120 days depending on a number of factors, such as their credit history, historical relationship with us, scale of operation and order size. Most of our customers pay by cash on delivery. Upon receiving the request from our customers, we are normally willing to grant longer credit terms to customers with (i) large operation size; (ii) established reputation; and (iii) long business relationship with our Group. Among our over 2,000 customers, 26 of them enjoyed credit terms of more than 90 days. Our customers generally settle their trade balances with us by bank transfer or by banker's acceptance. Our business management centre closely monitors the credit exposure and repayment conditions of our customers. For outstanding balances which are due for less than six months, our business management team staff is responsible for following up with the relevant customers by issuing demand letters and contacting the responsible persons of the relevant customers. For balances being outstanding for more than six months, our management will decide and take appropriate actions including but not limited to initiating legal proceedings to recover the relevant sums.

Pricing policy

We take into account the following factors when determining the price of our products:

- the cost and margin of our products;
- the input by our technology centre; and
- demand and supply of the products.

The price ranges of our products are determined jointly by our product management centre, sales offices, purchase and order department and business management centre on a cost-plus basis. We also communicate with the sales and marketing team of our suppliers in respect of their suggested price. We will then develop a formula for calculating the suggested selling price of the products in the future and the range of discount rates that are available to our customers. In general, products with more input by our technology centre and products imported from foreign countries will be priced higher. We constantly review the price of our products based on the market situation and the changes in the procurement costs of our products.

As for discounts, we allow our sales team to offer discount to our customers during the negotiation of the sales agreements. Customers with larger scale of operations and those with longer duration of business relationships with us generally enjoy a higher discount rate. The suggested selling prices of each of our products can be classified into three categories according to the rank of our sales personnel. Customer managers and senior customer managers are generally allowed to offer limited discounts while the general managers of our branch offices can offer more discount to our customers.

We currently do not charge any fee for our provision of product application solutions to our customers. However, by offering these value added services, our Directors believe that it will continue to attract more customers to purchase our Group's recommended products which will result in significant economic benefits to our Group's operations.

Marketing and promotion

We believe that marketing and promotion is crucial to the success of our business. Our sales personnel visit our customers regularly to promote our new products and formulae based on our customers' needs and the then market situation.

Aside from promoting to existing customers, our Group also reaches out to new customers by attending exhibitions and forums, and through our Group's website and other social media platforms. In March 2017, we attended the Food Ingredients China (FIC) (中國國際食品添加劑和配料展覽會) held at the National Exhibition and Convention Centre in Shanghai. Through constant communications with our potential customers, we are able to keep up with the latest market information for our future product development and can better assist our customers in formulating

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future business strategies. Our advertising, promotional and branding expenses for conducting marketing and promotion activities for each of the three years ended 31 December 2015, 2016 and 2017 were RMB0.2 million, RMB0.4 million and RMB0.8 million, respectively.

We believe these advertising and promotion strategies help promote our own corporate image and increase our product awareness among our target customer groups.

Product return policy

We only accept returns or exchanges for (i) any defective products sold by us that were damaged during transportation and delivery; or (ii) products that did not match with the product specifications as specified on the purchase orders between our customers and us, after examination and upon approval of our general manager of our branch offices.

To ensure our customers are satisfied with our services, we have implemented product return policy to: (i) exchange the defective or damaged products; or (ii) refund our customers the relevant purchase amount of the defective or damaged products. For any potential product return, we would perform proper inspection and examination to the defective or damaged products. Products returned may be returned to our suppliers or destroyed by us. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product return due to product quality defects or damages, as well as any liability claims in relation to the same.

Seasonality

Our operating results are also influenced by seasonal factors, including the timing of local holidays, the launch of new products or trade shows for specific industries. These factors may cause our sales and operating results to fluctuate from quarter to quarter. Sales of food ingredients and additives for confectionery, beverage and dairy products are affected by seasonality and are usually higher during the three to four months prior to the Chinese New Year.

If unanticipated events occur, including delays in securing adequate inventories of competitive products at times of peak sales or inventory surpluses in the event of sales decreases, our operating results could suffer. In addition, due to seasonal factors, our interim results may not be indicative of annual results or comparable to our results in previous periods.

After-sales services

Apart from sales and marketing, our business management centre is also responsible for providing after-sales services to our customers. Their duties include: (i) gathering feedback from customers about our products and services to ensure the quality of our food ingredients and additives and continuous improvement of our operations; (ii) handling queries from existing and potential customers about our products and services in a timely manner to ensure that we are able to capture potential business opportunities; (iii) collecting market information for our product management centre to perform market analysis; and (iv) providing assistance to customers after

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receiving complaints. Our business management centre has various sets of procedures and protocols to be followed by our staff in handling complaints and requests from our customers such as product return or exchange, technical support and product application solutions.

CUSTOMERS

As at the Latest Practicable Date, we supplied food ingredients and additives to over 2,000 customers in the PRC which varied in terms of size and business nature. Some of our customers are internationally well-known food manufacturers including Want Want (旺旺), Fujiya (不二家), a well-known confectionary and chocolate manufacturer headquartered in Italy, an internationally renowned beverage manufacturer headquartered in the U.S. and a reputable beverage manufacturer headquartered in Taiwan. Our customers are mainly manufacturers and trading companies which can be broadly categorised into nine categories in terms of their business nature, namely:

Categories	Business nature
(i) Confectionery and chocolate manufacturers	manufacturing confectionery products
(ii) Beverage manufacturers	manufacturing beverage
(iii) Dairy products manufacturers	manufacturing dairy products and ice cream
(iv) Bakery products manufacturers	manufacturing bakery products
(v) Food additives manufacturers and trading companies	manufacturing and trading food additives
(vi) Oil and grease manufacturers	manufacturing margarine and shortening
(vii) Restaurants	operating restaurants and chain beverage shops
(viii) Health supplements manufacturers	manufacturing healthy food products
(ix) Others	manufacturing snacks and processed meat such as ham and sausages

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The following table sets out the breakdown of our revenue from our customers in terms of customer types during the Track Record Period:

Customer type	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Confectionery and chocolate manufacturers	98,919	21.7	100,878	20.1	96,064	18.2
Beverage manufacturers	64,433	14.1	101,605	20.2	111,379	21.2
Dairy products manufacturers	88,362	19.4	96,708	19.3	91,757	17.4
Bakery products manufacturers	63,899	14.0	63,201	12.6	72,001	13.6
Food additives manufacturers and trading companies	64,640	14.2	42,921	8.6	50,875	9.6
Oil and grease manufacturers	12,392	2.7	19,370	3.9	22,304	4.2
Restaurants	11,591	2.5	26,461	5.3	24,454	4.6
Health supplements manufacturers	10,439	2.3	7,611	1.5	15,462	2.9
Others	<u>41,378</u>	<u>9.1</u>	<u>42,531</u>	<u>8.5</u>	<u>43,639</u>	<u>8.3</u>
Total	<u>456,053</u>	<u>100.0</u>	<u>501,286</u>	<u>100.0</u>	<u>527,935</u>	<u>100.0</u>

Top customers

For each of the three years ended 31 December 2015, 2016 and 2017, the percentage of revenue contributed by the largest customer amounted to 11.9%, 8.8% and 7.8%, respectively, while the percentage of revenue contributed by the five largest customers combined amounted to approximately 35.6%, 27.7% and 24.5%, respectively. Up to the Latest Practicable Date, we have established a relationship of at least six years with each of our five largest customers during the Track Record Period.

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Set out below is a breakdown of our Group's revenue by major customers in terms of revenue contribution:

For the year ended 31 December 2015:

Rank	Customer	Customer category	Principal business activities	Types of products sold	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered to our customers	Payment method	Revenue <i>RMB'000</i>	As a percentage of total revenue %
1	Customer A	Dairy products and snacks manufacturer	A PRC company engaged in the manufacturing and sales of food and beverage including rice crackers, dairy products, beverages and snacks	Emulsifiers, food stabiliser, food flavouring, food colouring and packaging materials	17	7-30 days	Bank transfer	54,366	11.9
2	Fujiya (不二家)	Confectionery and chocolate manufacturer	A company headquartered in Japan engaged in the development, manufacturing and sales of confectioneries, chocolate and snacks	Food flavouring, emulsifier, cream	10	7 days	Bank transfer	45,372	9.9
3	Shineroad Industries	Food additives manufacturer and trading company	A PRC company engaged in the distribution of packaged food and dairy products and the provision of consultancy services in technological development	Food flavouring, emulsifier, coffee powder	7	Settled annually	Bank transfer/Bank acceptance bill	24,487	5.4
4	Customer D	Confectionery and chocolate manufacturer	A company headquartered in Italy engaged in the manufacturing and sales of confectioneries and chocolate	Food colouring, emulsifier, condensed milk, cream	19	60 days	Bank transfer/Bank acceptance bill	23,309	5.1
5	Customer F	Confectionery and chocolate manufacturer	A PRC company engaged in the manufacturing and sales of confectionery, chocolate, snacks, and bakery products	Food flavouring, emulsifier, creamer powder	6	60 days	Bank transfer/Bank acceptance bill	15,045	3.3
Total								<u>162,549</u>	<u>35.6</u>

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For the year ended 31 December 2016:

Rank	Customer	Customer category	Principal business activities	Types of products sold	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered to our customers	Payment method	Revenue <i>RMB'000</i>	As a percentage of total revenue %
1	Customer A	Dairy products and snacks manufacturer	A PRC company engaged in the manufacturing and sales of food and beverage including rice crackers, dairy products, beverages and snacks	Emulsifiers, food stabiliser, food flavouring, food colouring and packaging materials	17	7–30 days	Bank transfer	43,980	8.8
2	Fujiya	Confectionery and chocolate manufacturer	A company headquartered in Japan engaged in the development, manufacturing and sales of confectioneries, chocolate and snacks	Food flavouring, emulsifier, cream	10	7 days	Bank transfer	41,204	8.2
3	Customer D	Confectionery and chocolate manufacturer	A company headquartered in Italy engaged in the manufacturing and sales of confectioneries and chocolate	Food colouring, emulsifier, condensed milk, cream	19	60 days	Bank transfer/Bank acceptance bill	22,147	4.4
4	Customer G	Beverage manufacturer	A company headquartered in the US engaged in the manufacturing, processing, sales and development of beverage, agricultural food products, food additives and packaged food	Frozen dried fruit powder, milk powder	20	45–60 days	Bank transfer	16,712	3.3
5	Customer F	Confectionery and chocolate manufacturer	A PRC company engaged in the manufacturing and sales of confectionery, chocolate, snacks, and bakery products	Food flavouring, emulsifier, creamer powder	6	60 days	Bank transfer	15,004	3.0
Total								139,047	27.7

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For the year ended 31 December 2017:

Rank	Customer	Customer category	Principal business activities	Types of products sold	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered to our customers	Payment method	Revenue RMB'000	As a percentage of total revenue %
1	Customer A	Dairy products and snacks manufacturer	A PRC company engaged in the manufacturing and sales of food and beverage including rice crackers, dairy products, beverages and snacks	Emulsifiers, food stabiliser, food flavouring, food colouring and packaging materials	17	7-30 days	Bank transfer	41,082	7.8
2	Fujiya (不二家)	Confectionery and chocolate manufacturer	A company headquartered in Japan engaged in the development, manufacturing and sales of confectioneries, chocolate and snacks	Food flavouring, emulsifier, cream	10	7 days	Bank transfer	40,154	7.6
3	Customer D	Confectionery and chocolate manufacturer	A company headquartered in Italy engaged in the manufacturing and sales of confectioneries and chocolate	Food colouring, emulsifier, condensed milk, cream	19	60 days	Bank transfer/Bank acceptance bill	19,595	3.7
4	Customer H	Beverage manufacturer	A company headquartered in Taiwan engaged in the manufacturing, processing and sales of instant noodles, beverage, seasoning, dairy products and snacks	Food ingredients and food additives	18	30 days	Bank transfer/Bank acceptance bill	14,649	2.8
5	Customer F	Confectionery and chocolate manufacturer	A PRC company engaged in the manufacturing and sales of confectionery, chocolate, snacks, and bakery products	Food flavouring, emulsifier, creamer powder	6	60 days	Bank transfer	13,575	2.6
Total								129,055	24.5

Save for Shineroad Industries, to the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or any Shareholders, who owns more than 5% of the share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue, nor any of their respective associates, has any interest in any of the five largest customers of our Group for each of the financial year and period over the Track Record Period. During the Track Record Period, except for Shineroad Industries, all top five customers of our Group were Independent Third Parties. For further details of our historical transactions between our Group and Shineroad Industries, please refer to note 29 of the Accountants' Report in Appendix I to this prospectus.

Reasons for the fluctuations in the revenue contribution from our Group's major customers during the Track Record Period

For each of the three years ended 31 December 2015, 2016 and 2017, the revenue contributed by the top five largest customers combined decreased from approximately RMB162.5 million to RMB139.0 million in 2016 and further to RMB129.1 million in 2017. During the same period of

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time, the gross profit of our Group increased from approximately RMB73.0 million to RMB76.6 million in 2016 and further to RMB85.2 million in 2017. The decrease in our revenue from our top five customers during the Track Record Period was due to the following reasons:

1. there was a continuous decrease and eventual cessation in the revenue generated from Shineroad Industries, one of our top five largest customers in 2015, during the Track Record Period. Shineroad Industries was previously engaged in the business of food ingredients and additives distribution and has gradually ceased its operation in such business since the establishment of Shanghai Shineroad. For further details on the transactions between our Group and Shineroad Industries and its ultimate cessation of its food ingredients and additives distribution business, please refer to the paragraph headed “Overlapping Customers — Suppliers” in this section. During the Track Record Period, the total amount of sales to Shineroad Industries were approximately RMB24.5 million, nil and nil, respectively. Since the purchases from and sales to Shineroad Industries were transacted at cost, therefore, the drop in revenue contributed by Shineroad Industries would not affect our Group’s overall profitability. Further, as there will not be any sale and purchase transactions between our Group and Shineroad Industries in future, the above fluctuations in revenue were of temporary nature; and
2. there was a continuous decrease in the revenue generated from Customer A which was largely due to the decrease in sales of packaging materials to Customer A. During the Track Record Period, our packaging materials were mostly sold to Customer A. For each of the three years ended 31 December 2015, 2016 and 2017, the revenue from packaging materials has been decreasing from approximately RMB12.1 million in 2015 to approximately RMB8.7 million in 2016 and further to approximately RMB4.2 million in 2017. Our Directors expect that any further decline in the revenue from the sales of packaging materials will not have a significant impact on the overall revenue of our Group. Further, as evident from the increase in the overall gross profit of our Group during the Track Record Period, the decrease in sales in packaging materials, which are of lower gross profit margin in general compared to our food ingredients and food additives sold to customers, will be beneficial to the Company’s overall financial performance in the long run.

Our Directors consider that the fluctuations in the revenue contribution from our Group’s major customers during the Track Record Period were of temporary nature and have not adversely affected our Group’s business as evident from the continuous growth in gross profit during the same period. Furthermore, since our Company has a sufficiently diverse client base and a sustainable business model, with our top 50 customers contributing to only 49.8%, 57.2% and 46.7% of our total revenue for each of the three years ended 31 December 2015, 2016 and 2017 respectively, our Directors believe that such fluctuations will not affect our Group’s business operation in a material context going forward.

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Major terms in the sales agreements with our customers

We negotiate with our major customers and enter into sales agreements for the term ranging from six months to three years with our major customers. The terms and conditions of the sales agreements we enter into with our customers vary from one another. Set out below is a summary of the principal terms of the sales agreements between our Group and our customers:

Duration	six months to three years
Price	either pre-agreed and specified in the sales agreements; or to be agreed by the parties in the purchase order
Minimum purchase amount ^(Note)	either pre-agreed and specified in the sales agreements; or to be agreed by the parties in the purchase order
Delivery	delivery shall be made to such destinations and at such dates as indicated in the purchase order
Payment	payment upon delivery; or sales on credit with payment being settled on a regular basis
Price adjustment	price adjustment may be allowed subject to certain conditions such as the fluctuation of raw materials price
Quality standard	PRC national quality standards, industry standards and internal quality standards adopted by our customers, as specified in the sales agreement or to be agreed in the purchase order
Acceptance	exchange the defective or damaged products; or refund the relevant purchase amount of the defective or damaged products. If the seller does not agree with the inspection result, both parties may jointly appoint an Independent Third Party expert for further inspection. Any failure to notify the seller of defective products within seven days shall be deemed acceptance by the buyer
Termination	if there is material breach, such as failure to comply with the PRC national quality standard; bankruptcy or winding up of either party; or expiration of contract term

Note: The minimum purchase amount in our sales agreement with our customers refer to the minimum purchase quantity of products in a single purchase order. We will not accept the purchase order if order quantity is lower than such minimum purchase amount. In general, we do not set a non-elastic minimum purchase target

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for our customers nor impose penalty on customers' failure to adhere to the minimum purchase amount or minimum purchase target. It is due to our ongoing management and monitor of the purchases from our customers. We usually carry out one-month to three-month purchase forecasts with our major customers in estimating our sales and our respective product procurement plan. Any difference between the actual sales and the forecast will be communicated to our customers and reflected in the next forecast with appropriate adjustments.

PROCUREMENT AND SUPPLIERS

We believe our success is largely driven by our ability to source quality products from reputable food ingredients and additives manufacturers and to provide an extensive product portfolio for our customers. Our Group emphasises the importance of selecting our suppliers as we believe the supply of quality products is one of the key factors for us to succeed in the food ingredients and additives distribution industry. Our management typically selects our suppliers based on a number of criteria such as brand reputation, on-going compliance with relevant food safety laws, product quality, price competitiveness and supply capabilities. We have our approved list of suppliers. Before engaging a new supplier or including the new supplier into our approved supplier list, we perform background checks on the National Enterprise Credit Information Publicity System regarding the relevant supplier. During the Track Record Period and up to the Latest Practicable Date, we sourced products that we distributed to our customers from around 200 suppliers, comprising internationally renowned food ingredients manufacturers including an internationally renowned dairy products manufacturers originated from Switzerland, reputable food additives manufacturers such as Mitsubishi, a food additive manufacturer for vanillin originated from Belgium, Sensient and Rettenmaier.

For each of the three years ended 31 December 2015, 2016 and 2017, the total cost of goods sold of our Group amounted to approximately RMB383.1 million, RMB424.7 million and RMB442.7 million respectively. The following table sets out the amount of our purchases by product categories and their respective percentage during the Track Record Period:

	For the year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Food ingredients	231,554	60.5	268,186	63.1	277,358	62.7
Food additives	140,254	36.6	148,143	34.9	161,274	36.4
Packaging materials	11,288	2.9	8,385	2.0	4,095	0.9
Total	<u>383,096</u>	<u>100.0</u>	<u>424,714</u>	<u>100.0</u>	<u>442,727</u>	<u>100.0</u>

Top suppliers

For each of the three years ended 31 December 2015, 2016 and 2017, the five largest suppliers of our Group in aggregate accounted for approximately 80.7%, 81.1% and 80.6% of our total purchases, and our largest supplier accounted for approximately 47.4%, 52.9% and 47.9% of our total purchases, respectively. Up to the Latest Practicable Date, save for Anhui BBCA, we have

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established relationships of at least four years with each of our five largest suppliers during the Track Record Period. The table below sets out the background information of the top five 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:

For the year ended 31 December 2015:

Rank	Supplier	Principal business activities	Approximate	Types of products	Credit term	Total	As a
			year of relationship with our Group as at the Latest Practicable Date				
1	Supplier A	A company headquartered in Switzerland engaged in the manufacturing and sales of food and beverage including dairy products, coffee and cereals	19	Food ingredients	Advance payment	176,790	47.4
2	Supplier C	A company headquartered in Japan engaged in the manufacturing and sales of food additives including emulsifier	19	Food additives	90 days	66,768	17.9
3	Shineroad Industries	A PRC company engaged in the distribution of packaged food and dairy products and the provision of consultancy services in technological development	7	Food ingredients	Settled annually	27,501	7.4
4	Supplier F	A company headquartered in Germany engaged in the manufacturing and distribution of food additives such including cellulose	6	Food additives	30 days	16,642	4.5
5	Supplier G	A company headquartered in Belgium engaged in the manufacturing and distribution of food additives including vanillin	17	Food additives	75 days	13,014	3.5
Total						300,715	80.7

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For the year ended 31 December 2016:

Rank	Supplier	Principal business activities	Approximate year of relationship with our Group as at the Latest Practicable Date	Types of products purchased	Credit term	Total amount of purchase RMB'000	As a percentage of total purchase %
1	Supplier A	A company headquartered in Switzerland engaged in the manufacturing and sales of food and beverage including dairy products, coffee and cereals	19	Food ingredients	Advance payment	228,828	52.9
2	Supplier C	A company headquartered in Japan engaged in the manufacturing and sales of food additives including emulsifier	19	Food additives	90 days	75,576	17.5
3	Supplier G	A company headquartered in Belgium engaged in the manufacturing and distribution of food additives including vanillin	17	Food additives	75 days	22,980	5.3
4	Supplier F	A company headquartered in Germany engaged in the manufacturing and distribution of food additives such including cellulose	6	Food additives	30 days	15,644	3.6
5	Anhui BBKA	A PRC company engaged in the distribution of packaged food, dairy products and food additives	2	Food additives	3 days	7,868	1.8
Total						350,896	81.1

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For the year ended 31 December 2017:

Rank	Supplier	Principal business activities	Approximate year of relationship with our Group as at the Latest Practicable Date	Types of products purchased	Credit term	Total amount of purchase RMB'000	As a percentage of total purchase %
1	Supplier A	A company headquartered in Switzerland engaged in the manufacturing and sales of food and beverage including dairy products, coffee and cereals	19	Food ingredients	Advance payment	205,576	47.9
2	Supplier C	A company headquartered in Japan engaged in the manufacturing and sales of food additives including emulsifier	19	Food additives	90 days	77,465	18.1
3	Supplier G	A company headquartered in Belgium engaged in the manufacturing and distribution of food additives including vanillin	17	Food additives	75 days	25,181	5.9
4	Teaheals	A PRC company engaged in the manufacturing and sales of food ingredients including tea powder	4	Food ingredients	10-40 days	20,517	4.8
5	Anhui BBKA	A PRC company engaged in the distribution of packaged food, dairy products and food additives	2	Food additives	3 days	16,801	3.9
Total						345,540	80.6%

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Save for Shineroad Industries and Teaheals, to the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or any Shareholders, who owns more than 5% of the share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue, nor any of their respective associates, has any interest in any of the five largest suppliers of our Group for each of the financial year and period over the Track Record Period. During the Track Record Period, save for Shineroad Industries and Teaheals, all top five suppliers of our Group were Independent Third Parties. For further details of our historical transactions between our Group and each of Shineroad Industries and Teaheals, please refer to note 29 of the Accountants' Report in Appendix I to this prospectus.

DISTRIBUTION AGREEMENTS

For the majority of our products that we distributed to our customers, we normally entered into distribution agreements with a term of one to five years with our suppliers for exclusive or non-exclusive sale and distribution rights of the relevant products. The exclusivity granted by our suppliers is usually limited to specific geographic areas or specific products. When entering into a distribution agreement, we mainly consider (i) the reputation and image of the brand; (ii) the quality of the product; (iii) the projected demand of our customers; and (iv) the prevailing market trend. During the Track Record Period and up to the Latest Practicable Date, we have entered into an exclusive distribution agreement with Sensient for the supply of food colouring and Supplier L for the distribution of vegetable fat powder and cocoa butter substitute. Our Group is also the non-exclusive distributor of Supplier A — an internationally renowned dairy products manufacturer originated from Switzerland, Mitsubishi, Supplier G — a reputable food additives manufacturer for vanillin originated from Belgium, Rettenmaier and Supplier K — an international food ingredients and additives manufacturer originated from Ireland. Our Directors believe that entering into fixed term distribution agreements will provide stability and avoid unnecessary business disruption to our operation.

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Major terms in the exclusive distribution agreements with our suppliers

	<u>Sensient</u>	<u>Supplier L</u>
Duration	5 years	1 year
Product	food colouring products	certain types of vegetable fat powder and cocoa butter substitute
Price	as specified in the rolling forecast agreed between our Group and the supplier	as agreed in the agreement or in the purchase orders
Purchase forecast or minimum purchase amount	no minimum purchase amount; 3-week rolling forecast by product type, quantity and unit price	annual sales forecast by customer and product type
Exclusivity	distribution exclusively to Customer A and to East China region	distribution exclusively to certain customers within the PRC
Delivery	delivery shall be made to such destinations and at such dates as specified by our Group	delivery shall be made to the factory specified by the customer
Price adjustment	one month's notice	30 days' notice
Quality standard	national standard or industry standard	as specified in the purchase order
Termination	by expiration of term or termination by Sensient due to our material breach leading to Sensient's material loss suffered	by expiration of term or by three months' notice

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Major terms in the non-exclusive distribution agreements with our suppliers

	Supplier A	Mitsubishi	Rettenmaier	Supplier G	Supplier K
Duration	1 year and 3 months	1 year	1 year	2 years	1 year
Product	all products of Supplier A	all products of Mitsubishi	certain types of microcrystalline cellulose	certain types of products of Supplier G	certain types of emulsifier and cheese powder
Price	as specified in the agreement or in purchase orders	as specified in the agreement or in purchase orders	as specified in the agreement or in purchase orders	as specified in the agreement or in purchase orders	as specified in the agreement or in purchase orders
Purchase forecast or minimum purchase amount	no such requirements	no minimum purchase amount; annual forecast and four-month rolling forecast by product type and quantity	no minimum purchase amount; three-month rolling forecast by product type, quantity and unit price	no minimum purchase amount; annual budget and six-month rolling forecast by product type and quantity; failure to meet the purchase forecast for two consecutive quarters will entitle the supplier to terminate the distribution agreement with a three months' prior written notice	no minimum purchase amount; monthly rolling forecast by product type, quantity and unit price
Delivery	delivery shall be made to such destination and at such dates as indicated in the purchase order	to be agreed between the supplier and our Group	delivery shall be made to such destination and at such dates as indicated in the purchase order	delivery shall be made to such destinations and at such dates as indicated in the purchase order	delivery shall be made to such destinations and at such dates as indicated in the purchase order
Price adjustment	to be agreed between the supplier and our Group	to be agreed between the supplier and our Group	to be agreed between the supplier and our Group	to be agreed between the supplier and our Group	to be agreed between the supplier and our Group
Credit term	as indicated in the purchase order	90 days	as indicated in the purchase order	60 – 75 days	as indicated in the purchase order
Required level of inventories	to be agreed between the supplier and our Group	to maintain adequate level of inventories	no such requirements	to maintain an appropriate level of inventories in order to optimise the transportation cost and lead time	no such requirements
Quality standard	standard specified in purchase order	standard specified in purchase order	national standard and industry standard	ISO standard	national standard and standard specified by customers
Termination	six months' notice	three months' notice	by expiration of term	three months' notice	by expiration of term

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For products which are not covered by distribution agreements or for those suppliers which did not enter into distribution agreements with our Group, we would place orders with such suppliers by way of purchase orders, who would then issue the relevant invoices to us which constitute our contracts with our suppliers. In general the purchase orders set out the quantity, unit price, quality requirements and other product specifications, delivery time and payment terms.

In general, we assume the risk of any fluctuation in the costs of our purchases from our suppliers only to the extent when we are unable to negotiate successfully to pass on the increase in costs to our customers in the event of any substantial increase in market price after we have accepted the orders from our customers. In order to manage our risks as to price fluctuation, we have included a price adjustment mechanism in some of our sales agreements with our customers. In the event that there is a price fluctuation of the products for more than 10% from our suppliers, we can adjust the price of the products sold to our customers.

Our Directors confirm that, as at the Latest Practicable Date, there was no material breach of the terms of the distribution agreements entered into between our Group and our suppliers.

RELATIONSHIP WITH OUR LARGEST SUPPLIER — SUPPLIER A

Our business relationship with Supplier A

Our Group has maintained long-standing business relationship with Supplier A for around 18 years. During the Track Record Period, Supplier A supplied food ingredients, mainly full cream, sweetened condensed milk, milk powder, creamer powder and coffee powder, to our Group. For each of the three years ended 31 December 2015, 2016 and 2017, our total amount of purchase from Supplier A amounted to approximately 47.4%, 52.9% and 47.9% of our total purchase. For our supplier concentration risk, please refer to the section headed “Risk Factors — Risk relating to our business — We rely on our major suppliers for the supply of our products, and any shortage of, or delay in, the supply may significantly impact on our business and results of operation” in this prospectus.

Throughout the years of business relationship with Supplier A, we have been working closely together. We prepare 3-month rolling forecasts on a monthly basis for better planning of the distribution of our products, determine the inventory level and conduct food application experiments together for the mutual benefit of both parties. Since 1999, we have entered into consecutive distribution agreements with Supplier A for the distribution of a wide range of its products in five regions in the PRC namely Shanghai, Jiangsu, Zhejiang, Anhui and Guangdong. Products sourced from Supplier A are mainly distributed to confectionery and chocolate manufacturers, beverage manufacturers, dairy products manufacturers and restaurants. As confirmed by Supplier A, our Group is currently its only distributor in three of the five regions in the PRC in which we have been granted distribution rights, namely, Shanghai, Zhejiang and Jiangsu.

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Set out below is the total revenue of our Group and the revenue generated from our distribution of products procured from Supplier A in Shanghai, Zhejiang and Jiangsu during the Track record Period:

	Total revenue of our Group			Revenue generated from the sales of		
	Year ended 31 December			Supplier A's products		
	2015	2016	2017	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Shanghai	197,165	179,879	185,740	84,959	76,976	75,955
Jiangsu	44,431	53,395	56,745	13,909	16,516	21,128
Zhejiang	85,154	101,114	105,817	62,921	77,053	72,305
Total	<u>326,750</u>	<u>334,388</u>	<u>348,302</u>	<u>161,789</u>	<u>170,545</u>	<u>169,388</u>

Mutual Reliance between our Group and Supplier A

Supplier A is considered as one of the renowned foreign brands of food ingredients manufacturers, particular in the field of dairy product ingredients. Therefore, our Directors believe that it is common for market participants including food manufacturers like our customers to establish reliance on Supplier A. Securing distribution rights with Supplier A is beneficial to the sustainability of our business.

According to the Frost & Sullivan Report, it is common for food ingredients and additives manufacturers to grant distribution rights to a limited number of selected distributors. Sizable and multinational food ingredients and additives manufacturers generally demonstrate a preference towards cooperating with several key distributors with proven capability and track record in selling their products. As we are the only distributor of Supplier A in Shanghai, Jiangsu and Zhejiang, and given our established experience in distributing food ingredients and additives to a wide customer base, Supplier A and our Group were and are expected to be in mutual reliance with each other in future.

As confirmed by our Directors, we have not encountered any difficulties in renewing the distribution agreements with Supplier A since 1999. Given the mutual reliance between our Group and Supplier A, our Directors believe that supplier/distributor relationship with Supplier A will remain stable in future.

Substitute Suppliers

Notwithstanding the mutual reliance between our Group and Supplier A and Supplier A's significant contribution to our revenue during the Track Record Period, our Group has a sustainable business model in acting as a distributor in the food ingredients and additives industry. During the Track Record Period, we offered a broad product portfolio of over 1,000 products sourced from around 200 suppliers. In respect of the major products supplied by Supplier A, i.e. full cream, sweetened condensed milk, milk powder, creamer powder and coffee powder, we have four existing alternative suppliers in our approved list of suppliers which are capable of supplying similar

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products to our customers. The effect of having these alternative suppliers is evident in the results of our operations in the year ended 31 December 2017 where there was increase in the sales of milk powder and creamer powder procured from other suppliers contributing to our overall increase in revenue during the relevant period compared to the year ended 31 December 2016. From time to time, we introduce other suppliers to our existing customers. For example, during the Track Record Period, we sold skimmed milk powder and whole milk powder to Customer G for its manufacture of beverage products. As a result of our efforts in continuous discussion, Customer G purchased the same types of products, which we sourced from an ultimate supplier listed in New Zealand, from our Group for its manufacture of their products. It generally takes three months to introduce a new supplier to an existing customer and successfully establish a supply chain between the new supplier, the customer and our Group. The process involves the testing of the quality of products supplied from the new suppliers and the approval by the customer to use the relevant products as the ingredient in its manufacturing process. Our Directors believe this would reduce our supplier concentration risk.

Ongoing business plans to diversify business focus

In addition to our ongoing introduction of different existing suppliers to our customers, our Group will continue to strengthen the diversity of our product portfolio by including new brands and securing new distributorship rights with reputable suppliers. During the Track Record Period, we offered a broad product portfolio with over 1,000 products to our customers sourced from around 200 suppliers which they can procure different products that we need and we will continue to secure stable suppliers for quality products to cope with any change that may arise. Many of our suppliers are internationally renowned food ingredients and additives manufacturers such as Supplier A, an internationally renowned dairy products manufacturer originated from Switzerland, Mitsubishi, Supplier G, a reputable food additives manufacturer for vanillin originated from Belgium, Sensient and Rettenmaier. In addition to our close relationships with these multinational food manufacturers, we also have contingency plans to maintain our product portfolio in case of cessation of business relationship with our major supplier. For instance, as at the Latest Practicable Date, we have four existing alternative suppliers in our approved list of suppliers which are capable of supplying major products procured from Supplier A, i.e. full cream, sweetened condensed milk, milk powder, creamer powder and coffee powder, to our customers. These suppliers include suppliers of dairy products sourced from New Zealand. During the Track Record Period, the aggregate purchase amounts from these alternative suppliers for Supplier A were approximately RMB1.8 million, RMB16.7 million and RMB27.7 million respectively. The above increase trend demonstrates our continuous efforts during the Track Record Period in diversifying business focus and alleviating the potential impact caused by reliance on major suppliers. It is also our Group's business plans going forward to continue the development of business relationships with these alternative suppliers in other areas of the PRC. Nevertheless, given our long established relationship with Supplier A, our Directors believe that the possibility of Supplier A ceasing cooperation with us is relatively low. Going forward, our Directors are of the view that the reliance on and the purchases from Supplier A will remain steady, if not reduce.

OVERLAPPING CUSTOMERS-SUPPLIERS

During the Track Record Period, Supplier A, Shineroad Industries and Teaheals were our overlapping customers and suppliers which were also our top five suppliers. According to the Frost & Sullivan Report, trading activities for food ingredients and additives between food ingredients and additives manufacturers and distributors are common in the PRC market. Apart from selling manufactured food products to distributors, manufacturers would also procure food ingredients and additives from distributors to use as raw materials for its manufacturing process. Similarly, distributors may sometimes be required to source specific brands of food ingredients and additives from their existing customers based on other customers' requests. With our established track record in the food ingredients and additives distribution industry, we maintained a diversified product portfolio of over 1,000 product types which we sourced from around 200 suppliers and provided to over 2,000 customers during the Track Record Period. Therefore, there were occasions that we have sourced products from our customers.

Our largest supplier, Supplier A, supplied us with food ingredients such as milk powder, full cream, sweetened condensed milk during the Track Record Period while Supplier A also purchased from our Group food additives such as emulsifiers manufactured by our other food additives suppliers to use as raw materials for its manufacturing process. The products purchased from and the products sold to Supplier A were therefore entirely different. For each of the three years ended 31 December 2015, 2016 and 2017, the total amount of our purchases from Supplier A were approximately RMB176.8 million, RMB228.8 million and RMB205.6 million, respectively, which accounted for approximately 47.4%, 52.9% and 47.9% of our total purchases respectively. The total amount of sales to Supplier A were approximately RMB0.7 million, RMB3.8 million and RMB3.9 million, respectively, which accounted for approximately 0.2%, 0.8% and 0.7% of our total sales respectively for each of the three years ended 31 December 2015, 2016 and 2017.

As for Shineroad Industries, it was the parent company of Shanghai Shineroad before the Reorganisation. Shineroad Industries was previously engaged in the business of food ingredients and additives distribution and has gradually ceased its operation in distribution business since the establishment of Shanghai Shineroad. However, there was a number of fixed term contracts which had not been completed during the Track Record Period. These contracts included sale and purchase agreements to procure from various suppliers and to sell to various customers of Shineroad Industries. In performance of those contracts, Shineroad Industries, as a connected customer of our Group, purchased food ingredients and additives from our Group and sold to its customers. The products Shineroad Industries purchased from our Group include red tea powder, emulsifier P-1670, food colouring and food flavouring. Meanwhile our Group also purchased food ingredients and additives from Shineroad Industries, as a connected supplier of our Group, which purchased the relevant food ingredients and additives from the ultimate suppliers under those fixed term contract. The food ingredients and additives we purchased from Shineroad Industries include full cream milk powder, sweetened condensed milk, UHT full cream milk and emulsifier P-1570. The purchases from and sales to Shineroad Industries were transacted at cost and settled annually as our Directors considered it would be burdensome on our accounting and finance department and increase our administrative costs if we adopt a normal credit term of 30 to 90 days for the special

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arrangement between Shanghai Shineroad and Shineroad Industries in completing the fixed term contracts. During the Track Record Period, there were no instances where food ingredients and additives of the same type or specification were bought back by our Group from Shineroad Industries. For each of the three years ended 31 December 2015, 2016 and 2017, the total amount of purchases from Shineroad Industries were approximately RMB14.3 million, nil and nil, respectively, and accounted for approximately 7.4%, nil and nil of our total purchases respectively. The total amount of sales to Shineroad Industries were approximately RMB24.5 million, nil and nil, respectively, which accounted for approximately 5.4%, nil and nil of our total sales respectively for each of the three years ended 31 December 2015, 2016 and 2017. All fixed term contracts expired on 28 February 2016. Shineroad Industries had not conducted sale and purchase transactions with our Group since January 2016. Since September 2017, Shineroad Industries has completely ceased operation on business related to food ingredients, food additives or packaging materials going onwards and its business licence did not cover such businesses as at the Latest Practicable Date.

Teaheals is a connected person of our Group. During the Track Record Period, Teaheals supplied us with food ingredients such as tea powder, herbal powder and dried fruit powder. During the same period of time, Teaheals also purchased from our Group food ingredients and additives such as coffee powder, coco powder, citric acid and pectin that are sourced from other suppliers for its manufacturing process. The products purchased from and the products sold to Teaheals were entirely different. For each of the three years ended 31 December 2015, 2016 and 2017, the total amount of our purchases from Teaheals were approximately RMB7.8 million, RMB12.8 million and RMB20.5 million, respectively, which accounted for approximately 2.1%, 3.0% and 4.6% of our total purchases respectively. The total amount of sales to Teaheals were approximately RMB5,000, RMB58,000 and RMB23,000, respectively, which accounted for approximately 0.001%, 0.01% and 0.004% of our total sales respectively for each of the three years ended 31 December 2015, 2016 and 2017.

Our Directors confirmed that all of our sales to and purchases from Supplier A, Shineroad Industries and Teaheals were incidental transactions, were not inter-conditional, inter-related or otherwise considered as one transaction.

QUALITY CONTROL

We have implemented quality control measures of our Group by conducting annual audit at our suppliers' factories and requiring our suppliers to provide us with the relevant certifications or qualifications of the products before purchasing from them. We also require our suppliers to provide us with a certificate of analysis or sanitary certificate from China Entry-Exit Inspection and Quarantine Bureau for each batch of products supplied. Upon receipt of products delivered to us by our suppliers, our inventory management and transportation department will conduct simple quality and quantity checks (such as considering whether packaging appears to be swollen or leaked; whether the product specifications are in line with those stated on the purchase orders) to ensure that the products delivered to us are in good condition for sale. Our staff ensures strict compliance of our products with the food safety regulations. Further, we maintain records of the information about the products we procure, including expiry date, suppliers' name and address, place of origin

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for importation, quantity and description of goods. Such record is made available after our procurement staff confirmed on the purchase invoice. We also conduct evaluations on new suppliers before purchase and on existing suppliers. Factors such as timeliness of delivery of products, quality of products, pricing, rate of responsiveness and feedback from customers are considered. Supplier evaluation reports are then prepared and approved by our executive Directors. If the performance of any suppliers is not up to the standard of our Group, they would be considered as unqualified and removed from the approved supplier list.

Before we deliver our products to our customers, we also conduct similar quality and quantity checks similar to the steps taken when the products are delivered to our warehouse. Our inventory management and transportation department staff will check the product specifications to make sure that they are in line with those stated on the purchase orders we received from our customers. Our staff will also record the information of our out-going products including the name of customer, product description, quantity and name of transportation service provider. In order to maintain the quality of our products during transportation, we require our transportation service providers to provide a hygienic environment for the transport vehicles in accordance with the PRC Food Safety Law.

We value our customers' feedback on the products we supply and have implemented measures to handle complaints effectively. Our business management centre accepts all customers' complaints by way of fax, telephone and email to ensure a timely response to all customer concerns. Our customer service personnel handles customers' complaints promptly upon receipt. As confirmed by our Directors, during the Track Record Period, we did not experience any material product quality problems which resulted in substantial product return or complaints from customers adversely affecting our Group's reputation.

WAREHOUSES, INVENTORY MANAGEMENT AND TRANSPORTATION

Warehouses

Our Group has four warehouses, two in Shanghai and two in Guangzhou. One of the warehouses in Shanghai is equipped with cold storage facilities to store perishable goods at the optimum temperature. During the Track Record Period, three of our warehouses were leased by our Group while the remaining warehouse in Guangzhou was provided to our Group by an Independent Third Party storage and logistics company pursuant to a warehouse service agreement. Under the agreement, the storage and logistics company agrees to provide storage service to Guangzhou Jieyang at a fixed rate of RMB1.4 per ton per day. The storage and logistics company is also responsible for the management of the inventories including the compliance of our warehouse management guidelines with the monitor by our staff. For our leased warehouses, please refer to the paragraph headed "Properties" in this section for further details.

When goods are first delivered to our warehouses, staff from our inventory management and transportation department will conduct quantity and quality checks including (i) visual inspection on the intactness of packaging; and (ii) inspecting the product specifications and their expiry dates to avoid inadvertent procurement of expired products and to ensure that the goods received are

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consistent with the information shown on the purchase orders. If the goods are accepted, the product information such as expiry date, suppliers' name and address, place of origin, quantity and description of goods will be registered in our ERP system. After a delivery notice has been sent to the inventory management and operation department, it will arrange to dispatch the goods on a first-in, first-out basis.

We place high emphasis on food safety and therefore have strict warehouse management guidelines in place. Below are some of the major storage requirements:

Temperature and humidity:	Cold warehouse has to be maintained at 2°C–7°C; Cool warehouse has to be maintained below 20°C; and/or Humidity not higher than 75%. Staff has to record the temperature and humidity level of the warehouse every day
Separate storage of products:	Perishable and non-perishable products; Products with similar names or package; and Food ingredients and food additives
Shelf life of products:	Speed up the sales of products with shelf life below 3 months Products are arranged with reference to the expiration dates
Obsolete or expired products:	Report to general manager for disposal approval

Inventory management

Our inventory consists of food ingredients, food additives and packaging materials. We have adopted an ERP system to constantly monitor our inventory level. In order to maintain accurate inventory records, we also conduct monthly inventory counts to ensure the actual inventory level matches the inventory information stored in our ERP system. During the Track Record Period, as confirmed by our Directors, there was not any material discrepancy between the monthly inventory counts and the inventory record kept by our ERP system.

For each of the three years ended 31 December 2015, 2016 and 2017, our average inventory turnover days were 32 days, 42 days and 38 days, respectively. We usually review and adjust our inventory level in advance in order to accommodate the anticipated increase in demand and needs of our products to avoid supply shortage and loss of profit. Our product management centre estimates the quantity of products to order from our suppliers, based on the record of historical orders made by our customers as captured by our existing ERP system, sales projection derived from our market analysis and if applicable, the required level of inventories that our suppliers require us to maintain. Our procurement staff places purchase orders with our suppliers according to the estimation made by the product management centre while our inventory management and transportation department staff records the incoming and outgoing goods in our warehouses.

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Due to the nature of business and product priority distribution of our Group, we adopt different inventory policy for different products. In general, our product management centre determines the inventory level of each product to be kept by our Group based on the historical purchase records made by our customers as captured by our existing ERP system and sales projection derived from our market analysis. Our procurement team will then place orders on an ongoing basis after taking into account the lead time between order and actual delivery so as to maintain a reasonable level of inventory at a pre-set level to meet our business needs. We also adopt a first-in-first-out inventory policy in general to ensure products in our warehouses will have longer remaining shelf lives.

Set out below is the respective inventory policy adopted by our Group in respect of products purchased from our major suppliers:

Major Supplier	Inventory Policy
Supplier A	A purchase forecast will be agreed between Supplier A and our Group every month. For some of the products, Supplier A requires us to maintain certain level of inventory while some products are ordered according to demand of our customers.
Supplier C	No required level of inventory. A purchase forecast will be agreed between Supplier C and our Group every month.
Supplier G	No required level of inventory. However an annual purchase plan will be agreed between Supplier G and our Group each year. If our purchase amount continuously falls below the projected purchase amount for consecutive months, the distribution agreements with Supplier G may be terminated.
Supplier F	No required level of inventory. A purchase forecast will be agreed between Supplier F and our Group every month.

We believe that we manage our inventory at a reasonable level based on historical sales and management's assessment, which minimises storage space and carrying costs, enhances working capital efficiency and reduces the risk of deterioration of products while in storage, which is especially important for our quality control policy.

Transportation

During the Track Record Period, we have engaged over 30 independent transportation services providers to provide transportation and logistics services to our Group. We entered into transportation service agreements with our transportation services providers to provide delivery services to our customers at our expense. The agreements have a term of one year in general and the transportation costs are normally based on the total weight of the goods delivered. We mainly

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settle the transportation fees by bank transfer. The transportation service providers are required to indemnify us for any damage or loss of products resulting from their mishandling of products during transportation. We also require the transportation service providers to provide a hygienic environment for the transport vehicles in accordance with the PRC Food Safety Law. Either contractual party is entitled to terminate the sub-contracting agreement with a 30-day written notice. During the Track Record Period, we incurred approximately RMB5.1 million, RMB5.5 million and RMB5.7 million in transportation expenses, respectively; which accounted for approximately 1.3%, 1.3% and 1.3% of our total cost of sales for the respective period.

We have access to and are able to appoint alternative third party transportation service providers which offer similar services on comparable commercial terms if our current service providers are unable to perform their obligations. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material losses to our inventories or products, nor material disruption to our business operations which were caused by failures of our transportation service providers in providing their services.

RESEARCH AND DEVELOPMENT

Our Group places high emphasis on our technology centre which develops food application solutions for our customers. We believe that our sales are partially driven by our application solutions on food developed. Some of our customers purchase food ingredients and additives from us based on the product application solutions we provided to them.

Our technology centre is led by Ms. Fan, who has over 12 years experience in the food ingredients and additives distribution industry. As at the Latest Practicable Date, our technology centre has 11 staff, out of which eight hold bachelor degrees or above. Our technology centre is also well-equipped with sophisticated laboratory equipment including transparent polarising microscope, high pressure homogeniser, miniature tube steriliser and texture analyser mainly for conducting test on the food quality under different environments. For each of the three years ended 31 December 2015, 2016 and 2017, we incurred approximately RMB1.6 million, RMB2.1 million and RMB2.0 million research and development expenses, respectively.

We initiate new projects based on (i) demand from our customers; or (ii) information about market trends and consumer preferences gathered by our product management centre. When customers encounter issues with their products, such as rough texture or lack of fragrance, they will contact our staff to develop solutions for them making use of our food additives. Our technology centre will then develop formulae for them to solve the problem. On the other hand, our product management centre possesses market research capabilities. Our product managers keep abreast of the latest market information and provide insights for the technology centre to develop new product ideas. After such ideas are developed, our product management team will visit our customers to present to them the latest market information as well as our new product ideas. If our customers accept our product idea, they will place order for the food ingredients and additives according to our formulae provided. Since we have secured distribution rights with a number of renowned suppliers and we are able to develop formulae for customers' need, it is not easy for our customers to purchase the food ingredients and additives from other suppliers.

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For each of the three years ended 31 December 2015, 2016 and 2017, we have engaged in 143, 69 and 129 product application projects respectively. Set out below are some of the major product application solutions that we have developed during the Track Record Period:

(i) Plant-based protein drinks

Our Group distributes a number of emulsifiers and food stabilisers. Different types of emulsifier are used on food products with different water to oil ratio. Leveraging on our sourcing capability, we managed to secure food additives from various suppliers. Our technology centre then experiments the proportion of different emulsifiers and food stabilisers to be applied to the plant-based protein drinks so as to stabilise the quality of the drinks at different environment especially when temperature fluctuates during transportation process. Such stabilising effects include the prevention of water and oil separation and precipitation. We have developed various plant-based protein drinks such as almond milk, green tea soy milk and coconut milk drinks.

(ii) Packaged coffee beverage

Our Group has developed a formula to stabilise the quality of coffee over time by suppressing the development of a kind of bacteria found in coffee beverage making use of the mixture of emulsifiers provided by Mitsubishi. Such beverage is produced in a UHT system, which is a sterilised production line, to better control the bacteria level in the coffee beverage. Our customers, who are food manufacturers, follow our advice on applying the food additives to their products and purchase those food additives from us accordingly.

We intend to focus on developing natural and functional food products such as herbal and floral powder drinks, fresh-leaf tea powder and matcha processing method in the future. We expect that our investment in research and development will increase due to the advanced technology required in developing such new products and techniques. We plan to expand our laboratory facilities and machineries in Shanghai.

Although we do not enter into separate service agreements with our customers and do not charge additional fees for providing the aforesaid services, by sharing our market insight and product knowledge with our customers, together with our capability to provide technical training and solutions, our Directors believe our research and development capabilities are the cornerstone of our success and have successfully driven the sales of the products that we distribute during the Track Record Period.

MARKET AND COMPETITION

According to the Frost & Sullivan Report, the food ingredients and food additives distribution industries in the PRC are highly fragmented with over 8,000 and 2,000 market players respectively in 2016. Given the keen competition, some food ingredients distributors specialise in one or a few categories of food ingredients so that they become market specialists while some would offer value-added services to the clients so as to consolidate the relationship with the clients. As for food

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additives distributors, market players distinguish themselves by integrating supply chain functions and developing long-established relationship with international brands so as to ensure the quality of products and number of selection.

Our Directors believe that we are capable of standing the competition in the market due to our value-added product application solutions provided to our customers and our sourcing capabilities from internationally renowned food brands. For details of our competitive strengths, please refer to the paragraph headed “Business — Competitive Strengths” in this section. Please also refer to the section headed “Industry Overview” in this prospectus for details of the competitive landscape of the food ingredients and additives industry.

LICENCES AND PERMITS

The following table sets out the details of our major licences and permits as at the Latest Practicable Date:

Entity	Licences/Certificates/ Registrations	Purpose	Issuing authority	Expiry date
Shanghai Shineroad	Food Operations Licence* (食品經營許可證)	For the sale of pre-packaged food	Market Supervision Administration of Fengxian District Shanghai Municipality* (上海市奉賢區 市場監督管理局)	10 December 2022
Guangzhou Jieyang	Food Operations Licence* (食品經營許可證)	For the sale of pre-packaged food	Food and Drugs Supervision Administration of Panyu District Guangzhou City* (廣州市番禺區食品藥品監督 管理局)	13 March 2022
Beijing Shineroad	Food Distribution Licence* (食品流通許可證)	For the distribution of pre-packaged food and dairy products	Food and Drugs Supervision Administration of Beijing Municipality* (北京市食品藥 品監督管理局)	22 July 2018

The administration and human resources centre of our Company is responsible for monitoring the validity status of our permits, licences and approvals, as well as preparing timely applications for their renewals. As advised by our PRC Legal Advisers and confirmed by our Directors, our Group had obtained all necessary licences and permits for our business operations in the PRC 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 and permits. Further, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licences and permits upon their expiration. On 25 May 2018, we have applied for the renewal of the Food Distribution Licence* (食品流通許可證) of Beijing Shineroad and expect to receive the renewed licence in late June 2018.

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HEALTH AND WORK SAFETY

Our Group emphasises on creating and sustaining a healthy and safe work environment for our employees. We continue to enjoy effective communication throughout our supply chain, both within and outside our Group, with respect to not only our employees but also external business partners such as suppliers and third-party transportation service providers. Our Group believes high standards in these areas underpin a critical aspect of operating effectiveness and, in turn, help our Group compete effectively.

We have implemented internal training programmes and a workplace health and safety memorandum, through which our Group educates and reminds our employees of the importance of and the correct practices for health and safety in the workplace. Our administration and human resources department has designated personnel to record and keep track of any injuries of our employees that have occurred in our workplace, to ensure insurance claims and treatments are effectively pursued to protect our employees and our Group. During the Track Record Period, there was no material injury recorded.

ENVIRONMENTAL MATTERS

Due to the nature of our business, our Group is not required to apply for environmental-related licences and permits. As at the Latest Practicable Date, as advised by our PRC Legal Advisers, our Group has not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

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PROPERTIES

As at the Latest Practicable Date, our Group leased five properties in the PRC and their details are set out below:

Location	Gross floor area (in approximate sq.m.) (Note)	Lessor	Key terms of the tenancy	Usage
25th Floor South, Block 1 Zhongyou Building Lane 1040 Caoyang Road, Putuo District, Shanghai, China*	584.26	Mr. Huang	Monthly rental of RMB53,314 with tenancy period up to 31 December 2018	For general office and operational use
Block 2, 688 Jindou Road, Jinhui Town, Fengxian District, Shanghai, China*	641.4	Hi-morse Food	Monthly rental of RMB14,625.09 with tenancy period up to 31 December 2018	For general office, inventory storage and operational use
Block 6, 518 Jinhuizhen Industrial Road, Fengxian District, Shanghai, China*	10,353.02	An Independent Third Party	Monthly rental of RMB75,000 and will be increased to RMB92,635.48 from 1 January 2018 with tenancy period up to 31 December 2020	For inventory storage
Unit No. 06 on the 16th Floor K. Wah Centre, No. 191 Java Road, Hong Kong	178.5	An Independent Third Party	Monthly rental of HK\$59,000 with tenancy period up to 20 August 2019	For business office use
Rm. 1519, Yufei Building, 42 Dongzhimenwai Dajie, Dongcheng District, Beijing, China*	84.43	An Independent Third Party	Monthly rental of RMB18,500 with tenancy period up to 27 January 2020	For business office use
2nd-3rd Floor, No. 5 Building, Shenlan Industrial Zone, Shibe Avenue, Dashi Street, Pan Yu, Guangzhou, China*	2,638	An Independent Third Party	Monthly rental of RMB51,071.11 with tenancy period up to 24 April 2018, RMB53,624.67 up to 24 April 2019 and RMB56,305.9 up to 24 April 2020	For inventory storage

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EMPLOYEES

As at 31 December 2015, 31 December 2016, 31 December 2017 and as at the Latest Practicable Date, our Group had a total of 116, 132, 135, and 140 employees respectively in the PRC. Most of our employees are stationed in the PRC.

Set out below is the number of employees by function in the PRC as at the Latest Practicable Date:

	As at the Latest Practicable Date
Management	9
Accounting and finance	12
Administration and human resources	22
Business operation	12
Inventory management and transportation	17
Procurement	8
Product development	16
Research and development	11
Sales	33
Total	140

As at the Latest Practicable Date, we had one employee in Hong Kong, i.e. our non-executive Director, Ms. XR Huang.

Relationship with staff

We have established a labour union to represent our employees. Our Directors confirm that our Group has not experienced any significant problems with the employees or disruption to the operations due to labour disputes nor has our Group experienced any difficulties in the retention of experienced staff or skilled personnel during the Track Record Period.

Training and recruitment policies

Our Group intends to use best effort to attract and retain appropriate and suitable personnel to serve our Group. Any department facing labour shortage can make recruitment request to the administration and human resources department. The department will post recruitment advertisement or engage with headhunting company after getting approval from our Directors and

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our general manager. After short listing the applicants, interviews will be conducted followed by an assessment or a second interview hosted by the general manager. Upon the reviewing and approving recruitment data submitted by the applicants, offer will be made to selected applicants in the form of written employment contract. During the Track Record Period and up to the Latest Practicable Date, we did not have any significant difficulty in recruiting employees nor have we faced any material labour disputes.

We also place emphasis on training our employees such that they are equipped with the right set of skills and trained of the latest job requirements and experience. We provide in house training to new employees. As for existing employees, our Group enrolls training courses organised by independent third-party every year.

Staff benefits

In compliance with applicable statutory requirements in the PRC, our Group participates in social insurance and housing provident fund for our PRC employees as applicable. Such social insurance included pension insurance, medical insurance, maternity insurance, unemployment insurance and injury insurance.

INSURANCE

During the Track Record Period, our insurance coverage included inventories at our warehouses and the expenses relating to accidents of our employees. We also maintain social insurance cover for the majority of our employees in accordance with the applicable PRC laws and the requirements of the local authorities. During the Track Record Period, Shanghai Shineroad and Guangzhou Jieyang did not make contribution for seven of our employees to the social insurance fund. For more details of the non-compliance event, please refer to the paragraph headed “Business — Litigations, claims and non-compliance — Non-compliance” in this section.

Our Directors are of the view that our insurance coverage is in line with the general coverage in the industry and is adequate for our operations. As at the Latest Practicable Date, we had not made nor been the subject of any material insurance claims. For each of the three years ended 31 December 2015, 2016 and 2017, we incurred insurance expenses of approximately RMB2.1 million, RMB2.8 million and RMB3.8 million, respectively.

LITIGATIONS, CLAIMS AND NON-COMPLIANCE

Litigations and Claims

During the Track Record Period and as at the Latest Practicable Date, there were four occasions that Shanghai Shineroad initiated legal proceedings in order to recover the outstanding balances owed by customers for more than six months. One of the cases was settled between our Group and the relevant customer and the customer repaid the outstanding sum of RMB251,400 by instalments with interests. The second case in respect of an outstanding sum of RMB25,040 due from a customer was concluded on 27 October 2017. The customer was ordered to repay our Group

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the outstanding sum with interests from 14 September 2017 till the repayment date. The interest has to be calculated with reference to the loan interest rate stipulated by the People's Bank of China for the corresponding period. Our Directors understand that the customer was facing cash flow issues and were of the view that the chance of recovering the judgement debt was low. Hence, we have made provision of impairment for the outstanding sum of RMB25,040. The third case in respect of the outstanding sum of RMB874,986 due from a customer was concluded on 18 December 2017. The customer was ordered to repay our Group the outstanding sum with interests from 14 August 2017 till the repayment date. The interest has to be calculated with reference to the loan interest rate stipulated by the People's Bank of China for the corresponding period. In January 2018, we discussed the progress of recovering the judgement debt with our PRC legal counsel responsible for the aforesaid legal proceedings and were informed that the customer was involved in a number of other legal claims for money due. In the light of the customer's financial difficulty, our Directors considered that the chance of recovering such sum is relatively low. We hence made provision of impairment for the outstanding sum of RMB874,986. The fourth case was in relation to a contractual dispute in the sum of RMB125,500 between our Group and our customer and was settled on 27 December 2017. As at the Latest Practicable Date, the customer has repaid all the outstanding sum of RMB125,500. Save for the aforesaid cases, we did not experience any material bad debts, nor experience any significant difficulties in collecting our trade receivables from our customers and did not experience any significant disputes with our customers during the Track Record Period.

Non-compliance

Inter-company loans

Non-compliance incidents and reasons

During the Track Record Period, our PRC subsidiary, Shanghai Shineroad, had entered into a loan agreement with Shineroad Industries pursuant to which Shanghai Shineroad agreed to advance an aggregate sum of RMB52 million to Shineroad Industries without interest for operation purpose from 7 February 2014 to 30 September 2015 (the "Loan"). The Loan was drawn in the amount of RMB32 million and RMB20 million in 2014 and 2015 respectively by Shineroad Industries. The Loan was fully settled on 11 September 2015. We were of the view that the non-compliance incidents were due to our unfamiliarity with Lending General Provisions* (《貸款通則》).

Relevant laws and regulations, potential sanctions, penalties and other liabilities

As advised by the PRC Legal Advisers, unauthorised loans among non-financial institutions are prohibited under Lending General Provisions* (《貸款通則》). PBOC may impose on the lending party a fine ranging from one to five times of the non-compliant income. Shanghai Shineroad, as a private company, is not a proper lender under the Lending General Provisions* (《貸款通則》). Although the Loan was without interest, the incident still constitutes a technical breach of the Lending General Provisions* (《貸款通則》). Nevertheless, as Lending General Provisions* (《貸款通則》) are not laws published by the National People's Congress of the PRC and/or its Standing Committee or regulations published by the State Council of the PRC, the loan between Shanghai

Shineroad and Shineroad Industries does not constitute any violation of the PRC laws and regulations or material non-compliant situation and that based on the public searches conducted by them, no incidents of the PBOC imposing penalties on loan agreements entered into between enterprises for the purpose of an enterprise's production and operation were noted by our PRC Legal Advisers. The Loan was already repaid by Shineroad Industries in 2015, for further information, please refer to note 29 of the Accountants' Report in Appendix I to this prospectus. As advised by our PRC Legal Advisers, since the Loan was non-interest bearing and the said non-compliance was rectified accordingly by the full repayment, the legal risk for our Group to be penalised by the competent authorities because of the Loan is relatively remote and thus the non-compliance incident will not materially affect the business operation of our Group.

Despite the breach of the Lending General Provision* (《貸款通則》), the Loan constituted a binding arrangement between Shanghai Shineroad and Shineroad Industries. According to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases* (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "Provisions") promulgated by the Supreme People's Court on 6 August 2015, private lending contracts concluded between legal persons or other organisations for production and operation purposes are valid, legally binding and enforceable, except for circumstances stipulated in the Contract Law and the Provisions resulting in a void contract. The Provisions are applicable to disputes arising from private lending. As advised by our PRC Legal Advisers, the Loan falls within the definition of private lending under the Provisions. Therefore, any disputes arising from the Loan will be governed by the Provisions.

Remedial actions and status as of the Latest Practicable Date

As at the Latest Practicable Date, the Loan was fully repaid. As advised by our PRC Legal Advisers, based on (i) a confirmation from Shineroad Industries that the Loan was for operation purpose; (ii) as the interest rate of the Loan was not more than 24% p.a., the People's Courts will rule in favour of the lender in general; (iii) the Loan was without interest; and (iv) the Loan was fully repaid, the likelihood that the competent authorities would impose penalties on us in this regard is low. In light of the above, we have not made provisions for this non-compliance event.

Enhanced internal control measures to prevent recurrence of the non-compliance

To prevent recurrence of the non-compliance, our Group has adopted the following measures to prevent the occurrence of the above incident:

1. adopting internal policies in relation to loan advancements to ensure compliance with the relevant laws and requirements in the PRC;
2. enhancing the awareness of our Directors, finance staff and other staff in relation to the laws and regulations regarding the General Principles of Loans of the PRC* (《貸款通則》); and

3. arranging staff to conduct regular internal audit on our Group's borrowings and report to the Directors.

Social insurance fund and housing provident fund

Non-compliance incidents and reasons

During the Track Record Period, two of our PRC subsidiaries, namely Shanghai Shineroad and Guangzhou Jieyang, did not make full contribution for seven of our employees to the social insurance fund and the housing provident fund. Such non-compliance incidents were mainly due to (i) the unwillingness of the seven employees to make their social insurance fund and housing provident fund contributions; and (ii) our designated human resources staff's unintended and inadvertent oversight of the relevant PRC laws and regulations, which requires full contribution for all employees. We estimate the aggregate outstanding social insurance fund and housing provident fund contributions as of the Latest Practicable Date to be approximately RMB315,000 and RMB122,000, respectively.

Relevant laws and regulations, potential sanctions, penalties and other liabilities

According to the Social Insurance Law of the PRC* (《中華人民共和國社會保險法》), in respect of outstanding social insurance contributions that accumulated during and after the Track Record Period, we may be liable to a late payment fee equal to 0.05% of the outstanding amount calculated daily from the date the relevant social insurance contributions became payable and, if we fail to make such payments in arrears, we may be liable to a fine of one to three times the amount of the outstanding contributions.

According to the Housing Provident Fund Management Regulations* (《住房公積金管理條例》), employers failing to (i) register housing provident fund accounts after employment may be subject to a fine ranging from RMB10,000 to RMB50,000; (ii) pay housing provident fund contributions after employment may be ordered to make outstanding contributions. The relevant housing provident fund authority may apply to the PRC courts for enforcement of such payments for any further failure to make such payments. Therefore, in addition to the payment of outstanding contributions, we may be subject to a potential maximum fine of RMB50,000.

Remedial actions and status as of the Latest Practicable Date

We have liaised with the relevant employees in order to rectify the non-compliance incident. However, they chose not to make their own social insurance fund and housing provident fund contributions. We have received confirmation letters from each of the seven employees in which, amongst other things, they indicated their voluntary renunciation of their rights in the social insurance fund and housing provident fund contributions, which should be contributed by our Group. They further agreed to renounce their rights to any potential claim against our Group in respect of the social insurance fund and housing provident funds in future.

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We have also liaised with the relevant social insurance authorities and housing provident fund authorities in Shanghai and Guangzhou. We received confirmation letters from the relevant social insurance fund authorities in Shanghai and Guangzhou on 8 August 2017 and 9 August 2017 respectively, and conducted a further interview with the relevant social insurance fund authorities in Shanghai and Guangzhou on 16 November 2017 and 16 November 2017, respectively, confirming that, at the Latest Practicable Date no administrative penalty has been imposed on us and we did not receive the requirement of the relevant authorities for us to repay the contribution shortfall. We received confirmation letters from the relevant housing provident fund authorities in Shanghai and Guangzhou on 14 August 2017 and 1 August 2017 respectively, and conducted a further interview with the relevant housing provident fund authorities in Shanghai and Guangzhou on 16 November 2017 and 17 November 2017 respectively confirming that, at the Latest Practicable Date no administrative penalty has been imposed on us and we did not receive the requirement of the relevant authorities for us to repay the contribution shortfall.

As advised by our PRC Legal Advisers, in light of the confirmation letters issued by the relevant and competent PRC Government authorities, the likelihood that we will be fined or will be required by the relevant social insurance fund or housing provident fund authority to repay the outstanding social insurance fund or housing provident fund contributions is low. In light of the above, we have not made provisions for the unpaid social insurance fund and housing provident fund contributions.

Enhanced internal control measures to prevent recurrence of the non-compliance

To prevent recurrence of the non-compliance, from November 2017 onwards, each of Shanghai Shineroad and Guangzhou Jieyang has been paying adequate contributions to the social insurance fund and housing provident fund for all of the employees in accordance with the relevant laws and requirements in the PRC. Since November 2017, we have adopted the following measures: (i) adopting internal policies to ensure compliance with all regulatory requirements in the PRC in relation to social insurance fund and housing provident fund contribution, including the procedures to require our administration and human resources centre to review periodically that all our existing and incoming employees have made social insurance fund and housing provident fund contributions and report to our Board should any material non-compliance occurs; and (ii) enhancing the awareness of our employees with respect to the importance of participation in social insurance fund and housing provident fund by regularly reminding them to make their part of contributions.

Furthermore, pursuant to the Deed of Indemnity entered into by our Controlling Shareholders in favour of our Group, our Controlling Shareholders have jointly and severally undertaken, among other things, that they will indemnify us for all claims, costs, expenses, losses that may be incurred by us and liabilities and damages from which we may suffer arising out of or in connection with the non-compliance events described above on or before the Listing. Based on the confirmations we received from the relevant government authorities, our PRC Legal Advisers' opinion and the Deed of Indemnity provided by our Controlling Shareholders, our Directors are of the view that our historical non-compliance events will not have any material adverse impact on our business or operations.

INTERNAL CONTROL

In order to ensure future compliance with applicable laws and regulations as well as any related policies in different operational aspects, we have adopted the following measures:

- we have established a series of corporate policies on compliance matters, which have been reviewed and approved by our management and the Board;
- we have engaged Mr. Qin Wenzhong (秦聞中), a member of the Hong Kong Institute of Certified Public Accountants, who possesses around 24 years of experience in accounting, finance and general management, as our Company Secretary to oversee our corporate administration, financial management and compliance matters;
- we have enhanced our internal control system. The enhanced internal control measures were implemented in September 2017;
- we will establish an audit committee comprising three independent non-executive Directors. The terms of reference to be adopted by the audit committee set out its duties and obligations to ensure our Group's compliance with applicable laws and regulations. In this regard, the audit committee will be authorised under its terms of reference to review any arrangements which may cause potential irregularities in financial reporting, internal control or other matters;
- our Directors attended a training seminar organised by our Hong Kong legal adviser on duties of directors of listed companies on 30 October 2017 in Hong Kong, during which our Directors were reminded to seek professional advice whenever necessary to ensure compliance with the relevant rules and regulations;
- we have appointed Cinda International as our Company's compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and applicable laws.

Internal control consultant's review

We engaged the Internal Control Consultant to review the effectiveness of the internal control measures relating to our business operations between January to December 2017 with a view to identifying irregularities and furnishing internal control recommendations on remedial actions in order to enhance our internal control system generally. Based on the findings, recommendations and test results of the review process performed by the Internal Control Consultant, the Internal Control Consultant considered that our enhanced internal policies and measures/ remedial actions are sufficient and effective.

Based on the implementation of the enhanced internal policies and measures/ remedial actions, our Group's business nature and operation scale, our Directors are satisfied that our Group's internal control system is sufficient and effective for its operation, and that the non-compliance

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incidents do not have any material impact on our Directors' suitability to act as directors under Rules 3.08 and 3.09 of the Listing Rules and our suitability for listing under Rule 8.04 of the Listing Rules.

The Sole Sponsor concurred with the Directors' view that our Group's internal control system is sufficient and effective for its operation, and that the non-compliance incidents do not have any material impact on our Directors' suitability to act as directors under Rules 3.08 and 3.09 of the Listing Rules and our suitability for listing under Rule 8.04 of the Listing Rules having considered the implementation of the enhanced internal policies and measures/ remedial actions, the business nature and operation scale of our Group.

INTELLECTUAL PROPERTY

Trademark

As at the Latest Practicable Date, our Group has registered 55 trademarks in the PRC. Details of such trademarks, which are material in relation to our business, are set out in the section headed "Statutory and General Information" in Appendix IV to this prospectus.

Domain name

As at the Latest Practicable Date, our Group has registered one domain name being **www.shineroad.com** in the PRC which is used as the website of our Group. Details of such trademarks are set out in the section headed "Statutory and General Information" in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not involved in any proceedings with regard to, and we have not received notice of any claim of, infringement of any intellectual property rights that may be threatened or pending in which we may be involved either as a claimant or respondent.

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AWARDS AND RECOGNITIONS

Since the establishment of our Group, we have been granted a number of awards and recognition in respect of, our business operation, quality management system and credit rating. Set out below are some of the major awards and recognitions we have obtained in recent years:

Award or recognition	Awarding body	Year of issue
Five Star Enterprise Prize* (五星企業獎)	People's Government of Jinhui Town, Fengxian District, Shanghai* (上海市奉賢區金 滙鎮人民政府)	2016 and 2017
Fengxian District Technological Innovation Team Award* (奉賢區 職工技術創新團隊)	Trade Union of Fengxian District, Shanghai* (上海市奉 賢區總工會)	2017
Technological Innovation Pioneer Team Award* (科技創新先鋒 集體)	Trade Union of Jinhui Town, Fengxian District, Shanghai* (上海市奉賢區金滙鎮總工會)	2017

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You should read this section in conjunction with our audited consolidated financial information including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. This historical consolidated financial information is not necessarily indicative of the future performance of our Group. Our consolidated financial information have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, which may differ in material respects from the generally accepted accounting principles in other jurisdictions.

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

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

OVERVIEW

We are a distributor in the food ingredients and additives distribution industry with a focus on supplying ingredients and additives to food manufacturers in the PRC. We have an extensive portfolio of products offering to a wide array of customers and they can be broadly categorised into (i) food ingredients; (ii) food additives; and (iii) packaging materials.

We have developed and maintained strong and successful relationships with a number of international suppliers of food ingredients and additives. While we generally procure food ingredients and food additives through purchase orders, we also enter into exclusive and non-exclusive distribution agreements with certain of our major suppliers including Supplier A, an internationally renowned dairy products manufacturer originated from Switzerland, Mitsubishi, Sensient, Rettenmaier, Supplier G, a food additive manufacturer for vanillin originated from Belgium and Supplier K, an international food ingredients and additives manufacturers originated from Ireland. Our Directors believe that entering into fixed term distribution agreements will provide stability and avoid unnecessary business disruption to our operation.

During the Track Record Period, we have also developed and maintained stable relationships with our major customers. Up to the Latest Practicable Date, we had established a relationship of at least six years with each of our five largest customers during the Track Record Period.

For each of the three years ended 31 December 2015, 2016 and 2017, our revenue was approximately RMB456.1 million, RMB501.3 million and RMB527.9 million, respectively, representing a CAGR of approximately 7.6% from 2015 to 2017. Our profit attribute to owners of

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our Company for each of the three years ended 31 December 2015, 2016 and 2017 was approximately RMB32.2 million, RMB29.8 million and RMB27.2 million, respectively, representing a CAGR of approximately –8.1% from 2015 to 2017.

Please refer to the section headed “Business — Overview” in this prospectus for an overview of our business.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 26 November 2015. In anticipation of the Listing, we underwent the Reorganisation, after which our Company became the holding company of the subsidiaries now comprising our Group since 4 May 2017. The consolidated statements of profit and loss and other comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements are prepared as if the current group structure has been in existence throughout the Track Record Period. The consolidated statements of financial position as at 31 December 2015, 2016 and 2017, present the assets and liabilities of the companies now comprising our Group, as if the current group structure has been in existence at those dates. The consolidated financial information has been prepared in accordance with the accounting policies in compliance with HKFRSs.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial information in accordance with accounting policies which conform with HKFRSs, which require us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the consolidated financial information and the reported amounts of revenue and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. We will continuously assess our assumptions and estimates going forward. We consider the policies and estimates discussed below to be critical to an understanding of our consolidated financial information as their application places the most significant demands on our management’s judgment. For details of our significant accounting policies and estimates, see Notes 2 and 3 in the Accountants’ Report set out in Appendix I to this prospectus.

Basis of consolidation

Our historical financial information incorporates the financial statements of our Company and our subsidiaries. Consolidation of a subsidiary begins when we obtain control over the subsidiary and ceases when we lose control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of

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profit and loss and other comprehensive income for the date we gain control until the date when we cease to control the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between our Group companies are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognised when the significant risks and reward of the goods have been transferred to our customer, which is usually at the date when a group entity has delivered products to our customer and our customer has checked and accepted the products, the collectability of the related receivables is reasonably assumed and there is no unfulfilled obligations that could affect our customer's acceptance of the products. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on the weighted average basis. Net realisable value of inventories represents the estimated selling prices less any estimated costs to be incurred on completion and disposal. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. We reassess these estimations at the end of each reporting period. As of 31 December 2015, 2016 and 2017, the carrying amounts of our inventories are approximately RMB43.9 million, RMB54.0 million and RMB37.9 million, respectively (net of provision for inventories of approximately nil, RMB82,000 and nil, respectively).

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the

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current tax and deferred tax are also recognised in other comprehensive income of directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Government grants

Government grants are not recognised until there is reasonable assurance that we will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which we recognised as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to us with no future related costs are recognised in profit or loss in the period in which they become receivable.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations, financial condition and the period-to-period comparability of our financial results are principally affected by the following factors:

Growth of the food ingredients distribution market and food additives distribution market in the PRC

According to the Frost & Sullivan Report, the market size of the food ingredients distribution industry in terms of revenue increased from approximately RMB647.7 billion in 2012 to approximately RMB817.0 billion in 2016 at a CAGR of 6.0%. It is expected that the market size of the food ingredients distribution industry in terms of revenue will continue to grow through 2021 to RMB1,145.5 billion representing a CAGR of 6.8%. The market size of the food additives distribution industry in terms of revenue increased from approximately RMB75.9 billion in 2012 to approximately RMB 112.3 billion in 2016 at a CAGR of 10.3%. It is expected that the market size of the food additives distribution industry in terms of revenue will continue to grow through 2021 to RMB191.6 billion representing a CAGR of 11.3%.

We believe that our current position of the food ingredients and food additives market in the PRC will allow us to enjoy the expected future growth of the food ingredients and food additives industry. However, any slow down or decline in the PRC economy may adversely affect consumers' purchasing power on consumer products, which in turn, may affect the food ingredients and food additives market and demand for the food ingredients and food additives. If that happens, our future business, results of operations and financial condition may be materially and adversely affected.

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Our ability to maintain/establish our relationships with existing/new customers for our products

Our Group's development and profitability are heavily dependent on our ability to maintain close and mutual beneficial relationships with our existing customers. It is also very important for us to expand our business to new customers, especially those looking for food ingredients and additives with high quality and performance. These potential customers are normally willing to pay a higher premium for products under their specific requirements. We will continue to secure new customers through participation in trade shows and industry exhibitions. Our Directors believe that many market participants have positive views on our product quality, product development capability and quality control.

Supply of inventories

Our profitability and operating margins are dependent upon, among other things, our ability to anticipate and react to any interruptions in our distribution network and changes to food costs and availability. We generally enter into fixed term exclusive or non-exclusive distribution agreements with certain major suppliers whereby they would be committed to provide products to us for any appreciable duration of time. We have developed a close and stable relationship with our key suppliers and have adequate number of suppliers for each major type of products, which allow us to maintain a stable and flexible supply of products. However, we are still exposed to the risk that suppliers may not provide or may be unable to provide products we need in the quantities and at the time and prices we request. Failure to identify an alternate source of supply for these items or comparable products that meet our customers' expectations may result in significant cost increases. In some extreme cases, we will be out-of-inventory and unable to generate sales.

Product mix

Our revenue and profit margins are substantially affected by the mix of products we sell. For each of the three years ended 31 December 2015, 2016 and 2017, our gross profit margin was approximately 16.0%, 15.3% and 16.1%, respectively. The fluctuation in gross margin during the Track Record Period was primarily due to the following factors:

Depending on the quality and brands, our diversified portfolio of food ingredients and additives have different cost bases and selling prices, and hence generate different gross profit margins. Products within the same product segment also may generate different gross profit margins depending on the quality and brands. Also, the composition of sales to each customer also varies depending on their demands and specifications of packaging. This may also create conditions for inventory obsolescence with respect to the products with diminishing consumer demand. Consequently, our gross profit margins are impacted by the composition on the products that make up our sales.

Customers within each customer type may also be charged different prices, depending on various factors such as sales volumes, product mix and marketing strategies. In case of price-cutting strategy to retain existing customers or acquire new customers, our selling price may not be able to

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be maintained and our revenue and results of operations may be adversely affected. Any change in the structure of revenue contribution from our product and customer mix or change in gross profit margin of any component may have a corresponding impact on our overall gross profit margin.

Our technology centre, to a certain extent, are driven by the ability to develop different downstream application for our products which fit the market preferences and customers' requirements. We continuously adjust our product mix, taking into account the market conditions of our raw materials from time to time. We actively manage our purchase of raw materials with a view to control our cost of raw materials and to ensure sufficient supply of raw materials for distribution.

Transportation expenses

We place significant emphasis on managing our entire supply chain to maintain stable and timely supply of our products to our customers. We, however, cannot completely avoid market risk of price fluctuation of the transportation expenses, which in turn, is subject to various factors beyond our control, such as the changes in supply and demand in the industry and changes in logistics companies' market strategies. As a result, we are exposed to the market risk of price fluctuation which may directly impact our transportation expenses. If we are unable to effectively transfer the increase in transportation expenses resulting from price fluctuation to our customers through timely adjustment of the selling price of our products, our profitability and results of operations could be adversely affected.

Seasonality

Our operating results are also influenced by seasonal factors, including the timing of local holidays, the launch of new products or trade shows for specific industries. These factors may cause our sales and operating results to fluctuate from quarter to quarter. Sales of food ingredients and additives for confectionery beverage and dairy products are affected by seasonality and are usually higher during the three to four months prior to Chinese New Year.

If unanticipated events occur, including delays in securing adequate inventories of competitive products at times of peak sales or inventory surpluses in the event of sales decreases, our operating results could suffer. In addition, due to seasonal factors, our interim results may not be indicative of annual results or comparable to our results in previous periods.

Increases in the cost of food ingredients and additives may materially affect our business operations

Our operational performance is susceptible to increases in our purchase costs of food ingredients and food additives from our suppliers.

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For each of the three years ended 31 December 2015, 2016 and 2017, approximately RMB231.6 million, RMB268.2 million and RMB277.4 million, representing 60.5%, 63.1% and 62.7%, respectively of the costs of sales of our Group were attributable to the costs of food ingredients.

For each of the three years ended 31 December 2015, 2016 and 2017, approximately RMB140.3 million, RMB148.1 million and RMB161.3 million, representing 36.6%, 34.9% and 36.4%, respectively of the costs of sales of our Group were attributable to the costs of food additives.

A rise in the costs of food ingredients and food additives may be the result of various external factors, such as seasonality, fluctuations in costs of goods caused by international market supply and demand and other economic conditions that may adversely affect the cost, availability and quality of our food ingredients and food additives. If we are unable to obtain the requisite quantities of food ingredients and food additives at commercially reasonable prices in accordance with our customers' requirements, our business could be adversely affected. In the event that the purchase costs of food ingredients and food additives from our suppliers increase in the future and we are unable to pass these cost increases onto our customers immediately, our operational performance may also be affected.

SENSITIVITY ANALYSIS

Hypothetical fluctuations in cost of sales

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our cost of sales on our profit before tax during the Track Record Period. Fluctuation of cost of food ingredients and additives are assumed to 5% and 10% during the years ended 31 December 2015, 2016 and 2017 with other variables remaining constant.

	<i>+/-5%</i> <i>RMB'000</i>	<i>+/-10%</i> <i>RMB'000</i>
Changes in profit before tax		
For the year ended 31 December 2015	-/+19,155	-/+38,310
For the year ended 31 December 2016	-/+21,236	-/+42,471
For the year ended 31 December 2017	-/+22,136	-/+44,273

Hypothetical fluctuations in foreign exchange rate

During the Track Record Period, our Group's operational activities were mainly denominated in RMB and US dollars.

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations in RMB of 3% and 5% on our profit after tax for the year during the Track Record Period. The sensitivity analysis include only outstanding foreign currency denominated monetary items and adjust their translation at the end of each reporting period for the above mentioned hypothetical change in the exchange rate of RMB against US dollars.

	<i>+/-3%</i>	<i>+/-5%</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Changes in profit after tax for the year		
For the year ended 31 December 2015	-/+389	-/+649
For the year ended 31 December 2016	-/+584	-/+973
For the year ended 31 December 2017	-/+212	-/+353

RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the periods indicated, which is extracted from the “Accountants’ Report” in Appendix I to this prospectus. Please read the following summary together with the “Accountants’ Report” and the notes thereto:

Consolidated statements of profit or loss

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	456,053	501,286	527,935
Cost of sales	<u>(383,096)</u>	<u>(424,714)</u>	<u>(442,727)</u>
Gross profit	72,957	76,572	85,208
Other income and gains	3,320	2,797	3,457
Selling and distribution expenses	(15,635)	(18,188)	(20,894)
Administrative expenses	(12,653)	(17,549)	(25,470)
Other expenses	(1,935)	(1,534)	(1,700)
Finance costs	<u>(1,872)</u>	<u>(1,764)</u>	<u>(2,102)</u>
PROFIT BEFORE TAX	44,182	40,334	38,499
Income tax expenses	<u>(11,683)</u>	<u>(10,450)</u>	<u>(11,209)</u>
PROFIT FOR THE YEAR	<u><u>32,499</u></u>	<u><u>29,884</u></u>	<u><u>27,290</u></u>

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DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

We derive our revenue mainly from the distribution of food ingredients, food additives and packaging materials in the PRC. We recorded revenue of approximately RMB456.1 million, RMB501.3 million and RMB527.9 million for the years ended 31 December 2015, 2016 and 2017, respectively.

The following table sets forth the breakdown of our revenue by product types for the periods indicated:

Product types	Year ended 31 December					
	2015		2016		2017	
	RMB'000	% of the total revenue	RMB'000	% of the total revenue	RMB'000	% of the total revenue
Food ingredients	263,326	57.7	303,969	60.7	312,169	59.1
Food additives	180,588	39.6	188,586	37.6	211,580	40.1
Packaging materials	12,139	2.7	8,731	1.7	4,186	0.8
Total	456,053	100.0	501,286	100.0	527,935	100.0

The following table sets out our sales volume and average selling price of our revenue by product types for the periods indicated:

Product types	Year ended 31 December					
	2015		2016		2017	
	Sales Volume	Average selling price/kg	Sales Volume	Average selling price/kg	Sales Volume	Average selling price/kg
	kg'000	RMB	kg'000	RMB	kg'000	RMB
Food ingredients	14,422	18.3	16,623	18.3	15,447	20.2
Food additives	2,928	61.7	2,909	64.8	3,034	69.7
Packaging materials	1,227	9.9	985	8.9	394	10.6
Total	18,577		20,517		18,875	

For each of the years ended 31 December 2015, 2016 and 2017, (i) sales of food ingredients was the largest contributor to our revenue and accounted for approximately 57.7%, 60.7% and 59.1%, respectively; and (ii) sales of food additives was the second largest contributor to our revenue and accounted for approximately 39.6%, 37.6% and 40.1%, respectively.

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The following table sets forth a breakdown of our revenue by customer types for the periods indicated:

Customer type	Year ended 31 December					
	2015		2016		2017	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Confectionery and Chocolate manufacturers	98,919	21.7	100,878	20.1	96,064	18.2
Beverage manufacturers	64,433	14.1	101,605	20.2	111,379	21.2
Dairy products manufacturers	88,362	19.4	96,708	19.3	91,757	17.4
Bakery products manufacturers	63,899	14.0	63,201	12.6	72,001	13.6
Food additives manufacturers and trading companies	64,640	14.2	42,921	8.6	50,875	9.6
Oil and grease manufacturers	12,392	2.7	19,370	3.9	22,304	4.2
Restaurants	11,591	2.5	26,461	5.3	24,454	4.6
Health supplements manufacturers	10,439	2.3	7,611	1.5	15,462	2.9
Others	41,378	9.1	42,531	8.5	43,639	8.3
Total	456,053	100.0	501,286	100.0	527,935	100.0

We sold our food ingredients and food additives directly to confectionery and chocolate manufacturers, contributing to approximately 21.7%, 20.1% and 18.2% of our total revenue for each of the three years ended 31 December 2015, 2016 and 2017, respectively. Our revenue generated from confectionery and chocolate manufacturers remained relatively stable during the Track Record Period.

We sold our food ingredients and food additives directly to beverage manufacturers, contributing to approximately 14.1%, 20.2% and 21.2% of our total revenue for each of the three years ended 31 December 2015, 2016 and 2017, respectively. Our revenue generated from such sales increased by approximately RMB37.2 million or approximately 57.7% from approximately RMB64.4 million for the year ended 31 December 2015 to RMB101.6 million for the year ended 31 December 2016 mainly due to the increase in sales from a PRC local branded beverage manufacturer, Customer G and a general increase from the sales of beverage manufacturers. Our revenue generated from beverage manufacturers remained relatively stable for the years ended 31 December 2016 and 2017.

We sold our food ingredients, food additives and packaging materials directly to dairy products manufacturers, contributing to approximately 19.4%, 19.3% and 17.4% of our total revenue for each of the three years ended 31 December 2015, 2016 and 2017, respectively. Our revenue generated from dairy products manufacturers remained relatively stable during the Track Record Period.

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We sold our food ingredients and food additives directly to bakery products manufacturers, contributing to approximately 14.0%, 12.6% and 13.6% of our total revenue for each of the three years ended 31 December 2015, 2016 and 2017, respectively. Our revenue generated from bakery products manufacturers remained relatively stable during the Track Record Period.

We sold our food ingredients and food additives directly to food additives manufacturers and trading companies, contributing to approximately 14.2%, 8.6% and 9.6% of our total revenue for each of the three years ended 31 December, 2015, 2016 and 2017, respectively. Our revenue generated from such sales decreased by approximately RMB21.7 million or approximately 33.6% from approximately RMB64.6 million for the year ended 31 December 2015 to RMB42.9 million for the year ended 31 December 2016 mainly because the sales to Shineroad Industries has ceased. Our revenue generated from food additives manufacturers and trading companies remained relatively stable for the years ended 31 December 2016 and 2017.

We sold our food ingredients and food additives directly to oil and grease manufacturers, contributing to approximately 2.7%, 3.9% and 4.2% of our total revenue for each of the three years ended 31 December 2015, 2016 and 2017, respectively. Our revenue generated from oil and grease manufacturers remained relatively stable during the Track Record Period.

We sold our food ingredients and food additives directly to restaurants, contributing to approximately 2.5%, 5.3% and 4.6% of our total revenue for each of the three years ended 31 December 2015, 2016 and 2017, respectively. Our revenue generated from restaurants remained relatively stable during the Track Record Period.

We sold our food ingredients and food additives directly to health supplements manufacturers, contributing to approximately 2.3%, 1.5% and 2.9% of our total revenue for each of the three years ended 31 December 2015, 2016 and 2017, respectively. Our revenue generated from health supplements manufacturers remained relatively stable during the Track Record Period.

We sold our food ingredients, food additives and packaging materials directly to others, contributing to approximately 9.1%, 8.5% and 8.3% of our total revenue for each of the three years ended 31 December 2015, 2016 and 2017, respectively. Our revenue generated from others remained relatively stable during the Track Record Period.

Cost of sales

Our cost of sales solely represented cost of goods sold, which mainly represented the cost of food ingredients and food additives purchased from suppliers. Our cost of sales represents the costs of products, import tax and net of discounts, charged by our suppliers. Our cost of sales amounted to approximately RMB383.1 million, RMB424.7 million, and RMB442.7 million for each of the years ended 31 December 2015, 2016 and 2017, respectively.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our cost of sales by product types for the periods indicated:

Product types	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	<i>% of total cost of sales</i>	<i>RMB'000</i>	<i>% of total cost of sales</i>	<i>RMB'000</i>	<i>% of total cost of sales</i>
Food ingredients	231,554	60.5	268,186	63.1	277,358	62.7
Food additives	140,254	36.6	148,143	34.9	161,274	36.4
Packaging materials	11,288	2.9	8,385	2.0	4,095	0.9
Total	383,096	100.0	424,714	100.0	442,727	100.0

The following table sets forth a breakdown of our sales volume and average cost of sales per unit by product types for the periods indicated:

Product types	Year ended 31 December					
	2015		2016		2017	
	<i>Sales Volume</i>	<i>Average cost of sales/unit</i>	<i>Sales Volume</i>	<i>Average cost of sales/unit</i>	<i>Sales Volume</i>	<i>Average cost of sales/unit</i>
	<i>kg'000</i>	<i>RMB</i>	<i>kg'000</i>	<i>RMB</i>	<i>kg'000</i>	<i>RMB</i>
Food ingredients	14,422	16.1	16,623	16.1	15,447	18.0
Food additives	2,928	47.9	2,909	50.9	3,034	53.2
Packaging materials	1,227	9.2	985	8.5	394	10.4
Total	18,577		20,517		18,875	

Gross profit and gross profit margin

We adopted a cost-plus model and our food ingredients, food additives and packaging materials are priced separately for each purchase order or priced per annum. The price of food ingredients, food additives and packaging materials we offer to our customers depends primarily on, among other things, product price as quoted to us by our suppliers, the type of products, the place of origin of the product brand, involvement of technology centre, the volume of orders and general market conditions. For each of the years ended 31 December 2015, 2016 and 2017, our gross profit amounted to approximately RMB73.0 million, RMB76.6 million and RMB85.2 million, representing gross profit margin of approximately 16.0%, 15.3% and 16.1%, respectively.

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The following table sets forth a breakdown of our gross profit and gross profit margin by product types for the periods indicated:

Product types	Year ended 31 December					
	2015		2016		2017	
	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin	margin	margin
	<i>RMB\$'000</i>	%	<i>RMB\$'000</i>	%	<i>RMB\$'000</i>	%
Food ingredients	31,772	12.1	35,783	11.8	34,811	11.2
Food additives	40,334	22.3	40,443	21.4	50,306	23.8
Packaging materials	<u>851</u>	7.0	<u>346</u>	4.0	<u>91</u>	2.2
Total	<u><u>72,957</u></u>	16.0	<u><u>76,572</u></u>	15.3	<u><u>85,208</u></u>	16.1

For each of the years ended 31 December 2015, 2016 and 2017, (i) gross profits of food additives was the largest contributor to our gross profits and accounted for approximately 55.3%, 52.8% and 59.0%, respectively; and (ii) gross profits of food ingredients was the second largest contributor to our gross profits and accounted for approximately 43.5%, 46.7% and 40.9%, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by customer type for the periods indicated:

	Year ended 31 December					
	2015		2016		2017	
	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin	margin	margin
	<i>RMB\$'000</i>	%	<i>RMB\$'000</i>	%	<i>RMB\$'000</i>	%
Confectionery and chocolate manufacturers	17,031	17.2	13,650	13.5	14,360	14.9
Beverage manufacturers	10,318	16.0	14,473	14.2	17,075	15.3
Dairy products manufacturers	15,942	18.0	14,795	15.3	15,863	17.3
Bakery products manufacturers	11,723	18.3	11,153	17.6	13,060	18.1
Food additives manufacturers and trading companies	6,915	10.7	7,229	16.8	8,337	16.4
Oil and grease manufacturers	3,027	24.4	5,515	28.5	6,562	29.4
Restaurants	643	5.5	3,501	13.2	2,483	10.2
Health supplements manufacturers	1,650	15.8	1,223	16.1	2,187	14.1
Others	<u>5,708</u>	13.8	<u>5,033</u>	11.8	<u>5,281</u>	12.1
Total	<u><u>72,957</u></u>		<u><u>76,572</u></u>		<u><u>85,208</u></u>	

FINANCIAL INFORMATION

Our gross profit and gross profit margin by customer categories were primarily influenced by the product mix of food ingredients, food additives and packaging materials sold to our customers. Gross profit of food additives was the largest contributor to our gross profit and had the highest gross profit margin among the three product categories.

Our gross profit margin from the sales of confectionery and chocolate manufacturers decreased from approximately 17.2% for the year ended 31 December 2015 to approximately 13.5% for the year ended 31 December 2016 mainly due to the decrease in revenue and gross profit received from a confectionery and chocolate manufacturer originated from Japan. Our Group charged such customer a relatively high gross profit margin than the average gross profit margin of the confectionery and chocolate manufacturers because (i) our Group provided such customer with continuous technical support; and (ii) our Group held buffer stock for such customer. Our gross profit margin from such sales remained relatively stable for the years ended 31 December 2016 and 2017.

Our gross profit margin from the sales to beverage manufacturers remained relatively stable for the years ended 31 December 2015, 2016 and 2017.

Our gross profit margin from the sales to dairy products manufacturers remained relatively stable for the years ended 31 December 2015, 2016 and 2017.

Our gross profit margin from the sales to bakery products manufacturers remained relatively stable for the years ended 31 December 2015, 2016 and 2017.

Our gross profit margin from the sales to food additives manufacturers and trading companies increased from approximately 10.7% for the year ended 31 December 2015 to approximately 16.8% for the year ended 31 December 2016 mainly due to the cessation of sales to Shineroad Industries that was sold at cost. For further details of our transactions with Shineroad Industries, please refer to the paragraph headed “Business — Overlapping customers-suppliers” in this prospectus. Our gross profit margin from such sales remained relatively stable for the years ended 31 December 2016 and 2017.

Our gross profit margin from the sales to oil and grease manufacturers remained relatively stable for the years ended 31 December 2015, 2016 and 2017.

Our gross profit margin from the sales to restaurants increased from approximately 5.5% for the year ended 31 December 2015 to approximately 13.2% for the year ended 31 December 2016 mainly due to the increase in gross profit received from several bubble tea chain stores. Our gross profit margin from such sales remained stable for the years ended 31 December 2016 and 2017.

Our gross profit margin from health supplements manufacturers remained relatively stable for the years ended 31 December 2015, 2016 and 2017.

Our gross profit margin from others remained relatively stable for the years ended 31 December 2015, 2016 and 2017.

FINANCIAL INFORMATION

Other income and gains

Other income and gains primarily consist of bank interest income, government grants, services fee income, consultancy service income and others. The table below sets forth a breakdown of our other income for the periods indicated:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	494	395	469
Government grants	1,408	2,302	2,381
Services fee income	1,245	—	—
Consultancy service income	—	—	146
Others	<u>173</u>	<u>100</u>	<u>461</u>
Total	<u><u>3,320</u></u>	<u><u>2,797</u></u>	<u><u>3,457</u></u>

For each of the years ended 31 December 2015, 2016 and 2017, our other income and gains was approximately RMB3.3 million, RMB2.8 million and RMB3.5 million, respectively.

Government grants primarily represented the supportive incentive granted by the local government to support local business enterprises for the purpose of encouraging business development.

Services fee income represented the consultancy income received from Shineroad Industries in relation to provision of consultancy services on marketing. Consultancy service income represented the provision of consultancy service on technical support.

FINANCIAL INFORMATION

Selling and distribution expenses

Our selling and distribution expenses primarily consisted of staff salaries and benefits, transportation expenses, travelling expenses, rent and rates and others. The table below sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Staff salaries and benefits	6,324	6,735	9,110
Transportation expenses	5,065	5,545	5,689
Travelling expenses	1,348	1,155	1,248
Rent and rates	1,619	2,458	2,288
Others	<u>1,279</u>	<u>2,295</u>	<u>2,559</u>
Total	<u>15,635</u>	<u>18,188</u>	<u>20,894</u>

For each of the years ended 31 December 2015, 2016 and 2017, our selling and distribution expenses were approximately RMB15.6 million, RMB18.2 million and RMB20.9 million, respectively, representing approximately 3.4%, 3.6% and 4.0% of our total revenue for same periods, respectively.

Staff salaries and benefits primarily consisted of salaries, bonus and social security costs for our sales and marketing staff. As we will continue to expand our sales network in the PRC, we have recruited additional sales and marketing personnel to support the increase of our Group's promotional and marketing efforts. Transportation expenses mainly represent service fee for delivery of goods to our customers and in association with our sales. The transportation expenses maintained relatively stable during the Track Record Period was primarily due to stable price of certain third-party logistics company engagement by us. Travelling expenses primarily represented the costs for our sales team members to travel and provide aftersales services to our customers. Rental expenses were incurred for our sales offices and warehouse. Others primarily represented expenses incurred for utility expenses, courier expenses, entertainment, exhibition expenses and custom fees.

FINANCIAL INFORMATION

Administrative expenses

Our administrative expenses primarily consisted of depreciation, entertainment, listing expense, rent and rates, research and development, staff salaries and benefits and others.

The table below sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	284	230	110
Entertainment	1,152	389	212
Listing expenses	2,918	1,798	7,154
Rent and rates	776	251	1,092
Research and development	1,602	2,055	1,967
Staff salaries and benefits	4,313	10,571	12,103
Others	<u>1,608</u>	<u>2,255</u>	<u>2,832</u>
Total	<u><u>12,653</u></u>	<u><u>17,549</u></u>	<u><u>25,470</u></u>

For the years ended 31 December 2015, 2016, 2017, our administrative expenses were approximately RMB12.7 million, RMB17.5 million, and RMB25.5 million, respectively, representing approximately 2.8%, 3.5% and 4.8% of total revenue for same period, respectively.

Staff salaries and benefits primarily consisted of salaries, bonus and social security costs of our administrative employees. Rental expenses were incurred for our administrative offices. Depreciation charges primarily consisted of depreciation of facilities and equipment for administrative purposes. Others represented miscellaneous expenses incurred for general administrative purpose such as consumables and office supplies, travelling expenses, telephone charges and motor vehicle expenses.

Other expenses

Other expenses primarily consisted of exchange of foreign currencies. For the years ended 31 December 2015 and 2016, such loss on foreign exchange arose primarily from the effect of the general depreciation of Renminbi against USD on the oversea procurement. For the year ended 31 December 2017, such loss on foreign exchange arose primarily from the effect of (i) the general depreciation of USD against Renminbi on USD denominated assets; and (ii) the provision of impairment of trade and bills receivables.

FINANCIAL INFORMATION

Finance Costs

Our finance costs represented interests on bank borrowings and other loans. The table below sets forth a breakdown of our finance costs for the periods indicated:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on:			
— Bank borrowings	184	—	—
— Other loans	<u>1,688</u>	<u>1,764</u>	<u>2,102</u>
Total	<u><u>1,872</u></u>	<u><u>1,764</u></u>	<u><u>2,102</u></u>

Income tax expenses

Income tax consisted of current tax and deferred income tax by our Group. Current tax primarily comprised PRC corporate income tax payable by our subsidiaries. For the years ended 31 December 2015, 2016 and 2017, our income tax expense was approximately RMB11.7 million, RMB10.5 million and RMB11.2 million, respectively.

We did not have any assessable income in Cayman Islands, British Virgin Islands and Hong Kong during the Track Record Period.

Please also refer to note 10 to our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus for further information.

Effective Tax Rate

Our effective tax rate, representing income tax expense divided by profit before taxation, was approximately 26.4%, 25.9% and 29.1% for the years ended 31 December 2015, 2016 and 2017, respectively. During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes applicable to us and had no disputes or unresolved tax issues with relevant tax authorities.

FINANCIAL INFORMATION

REVIEW OF HISTORICAL RESULTS OF OPERATION

Year ended 31 December 2017 compared to year ended 31 December 2016

Revenue

Our revenue increased by approximately 5.3% from approximately RMB501.3 million for the year ended 31 December 2016 to approximately RMB527.9 million for the year ended 31 December 2017. The increase was attributable to the increase in sales of our food additives, and was partially offset by the decrease in sales of packaging materials. Our revenue generated from food ingredients remained relatively stable for the years ended 31 December 2016 and 2017.

The increase in our revenue was also attributable to the increases in the revenue of our food additives from approximately RMB188.6 million for the year ended 31 December 2016 to approximately RMB211.6 million for the year ended 31 December 2017. Such increase in revenue of our food additives was primarily due to the increase in sales of emulsifier from Mitsubishi, vanillin from Supplier G and seasoning powder from other suppliers during the year ended 31 December 2017.

The increase in our revenue was partially offset by the decrease in revenue of our packaging materials from approximately RMB8.7 million for the year ended 31 December 2016 to approximately RMB4.2 million for the year ended 31 December 2017, primarily as a result of decrease in sales order of packaging materials from Customer A.

Cost of sales

Our cost of sales increased by approximately 4.2% from approximately RMB424.7 million for the year ended 31 December 2016 to RMB442.7 million for the year ended 31 December 2017. Such increase was generally in line with the increase in our revenue during the same period.

Gross profit and gross profit margin

Our overall gross profit increased by approximately 11.3% from approximately RMB76.6 million for the year ended 31 December 2016 to approximately RMB85.2 million for the year ended 31 December 2017, while our gross profit margin increased from approximately 15.3% for the year ended 31 December 2016 to approximately 16.1% for the year ended 31 December 2017.

Gross profit of our food ingredients decreased from approximately RMB35.8 million for the year ended 31 December 2016 to approximately RMB34.8 million for the year ended 31 December 2017, while gross profit margin of our food ingredients decreased from approximately 11.8% to approximately 11.2% for the same period. Such decrease in gross profit margin of our food ingredients was primarily due to the price cut of a newly launched creamer powder from Supplier A which was not widely accepted by our customers and were sold below the cost just before their shelf life.

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Gross profit of our food additives increased from approximately RMB40.4 million for the year ended 31 December 2016 to approximately RMB50.3 million for the year ended 31 December 2017, while gross profit margin of our food additives increased from approximately 21.4% to approximately 23.8% for the same period. Such increase in gross profit margin of our food additives was primarily due to the general depreciation of USD against Renminbi as a result of the purchasing cost decrease.

Gross profit of our packaging materials decreased from approximately RMB0.3 million for the year ended 31 December 2016 to approximately RMB91,000 for the year ended 31 December 2017, while gross profit margin of our packaging materials decreased from approximately 4.0% to approximately 2.2% for the same period.

Other income and gains

Our other income and gains increased by approximately 23.6% from approximately RMB2.8 million for the year ended 31 December 2016 to approximately RMB3.5 million for the year ended 31 December 2017, which was primarily attributable to (i) the damages of early termination of sales and purchase agreement after the discussion with the customer; and (ii) the increase of consultancy service fee income.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 14.9% from approximately RMB18.2 million for the year ended 31 December 2016 to approximately RMB20.9 million for the year ended 31 December 2017, primarily due to the increase in staff salaries and benefits from approximately RMB6.7 million to RMB9.1 million for the same period. Such increase was primarily attributable to the increase (i) in number of staff; (ii) in average salary and (iii) in bonuses paid to our marketing and sales personnel.

Administrative expenses

Our administrative expenses increased by approximately 45.1% from approximately RMB17.5 million for the year ended 31 December 2016 to approximately RMB25.5 million for the year ended 31 December 2017, primarily due to the increase in listing expenses from approximately RMB1.8 million to RMB7.2 million for the same period.

Finance cost

Our finance cost increased from approximately RMB1.8 million for the year ended 31 December 2016 to approximately RMB2.1 million for the year ended 31 December 2017, primarily due to the increase in interests on our other loans from approximately RMB1.8 million to approximately RMB2.1 million for the same period.

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Income tax expense

Our income tax expense increased by approximately 7.3% from approximately RMB10.5 million for the year ended 31 December 2016 to approximately RMB11.2 million for the year ended 31 December 2017, primarily due to the (i) tax effective of non-deductible expenses; and (ii) tax losses not recognised for the same period. Our effective income tax rate increased from approximately 25.9% for the year ended 31 December 2016 to approximately 29.1% for the year ended 31 December 2017, primarily due to the (i) tax effective of non-deductible expenses; and (ii) tax losses not recognised for the same period.

Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately 8.7% from approximately RMB29.9 million for the year ended 31 December 2016 to approximately RMB27.3 million for the year ended 31 December 2017.

Year ended 31 December 2016 compared to year ended 31 December 2015

Revenue

Our revenue increased by approximately 9.9% from approximately RMB456.1 million for the year ended 31 December 2015 to approximately RMB501.3 million for the year ended 31 December 2016. The increase in revenue was primarily due to the increase in income from the sales of (i) food ingredients; and (ii) food additives, and was partially offset by the decrease in sales of packaging materials.

The increase in our revenue of our food ingredients for the year ended 31 December 2016 was primarily attributable to the increase in the revenue of our food ingredients from approximately RMB263.3 million for the year ended 31 December 2015 to approximately RMB304.0 million for the year ended 31 December 2016. Such increase was primarily due to the increase in the sales of dairy products from Supplier A and other suppliers.

The increase in our revenue was also attributable to the increases in the revenue of our food additives from approximately RMB180.6 million for the year ended 31 December 2015 to approximately RMB188.6 million for the year ended 31 December 2016. Such increase in revenue of our food additives was primarily due to (i) increase in average selling price from approximately RMB61.7 per kg to approximately RMB64.8 per kg and; (ii) increase in our customers' demand in emulsifier from Mitsubishi and vanillin from Supplier G.

The increase in our revenue was partially offset by the decrease in revenue of our packaging materials from approximately RMB12.1 million for the year ended 31 December 2015 to approximately RMB8.7 million for the year ended 31 December 2016, primarily as a result of the decrease in the sales volume from approximately 1.2 million kg to 1.0 million kg.

FINANCIAL INFORMATION

Cost of Sales

Our cost of sales increased by approximately 10.9% from approximately RMB383.1 million for the year ended 31 December 2015 to approximately RMB424.7 million for the year ended 31 December 2016. Such increase was generally in line with the increase in our revenue during the same period.

Gross profit and gross profit margin

Our overall gross profit increased by approximately 5.0% from approximately RMB73.0 million for the year ended 31 December 2015 to approximately RMB76.6 million for the year ended 31 December 2016. Our gross profit margin decreased from approximately 16.0% for the year ended 31 December 2015 to approximately 15.3% for the year ended 31 December 2016.

Gross profit of our food ingredients increased from approximately RMB31.8 million for the year ended 31 December 2015 to approximately RMB35.8 million for the year ended 31 December 2016, while gross profit margin of our food ingredients maintained relatively stable at approximately 12.1% and approximately 11.8% for the same period.

Gross profit of our food additives maintained relatively stable at approximately RMB40.3 million for the year ended 31 December 2015 to approximately RMB40.4 million for the year ended 31 December 2016, while gross profit margin of our food additives maintained relatively stable at approximately 22.3% and approximately 21.4% for the same period.

Gross profit of our packaging materials decreased from approximately RMB0.9 million for the year ended 31 December 2015 to approximately RMB0.3 million for the year ended 31 December 2016, while gross profit margin of our packaging materials remained stable for the periods.

Other income and gains

Our other income and gains decreased by approximately 15.8% from approximately RMB3.3 million for the year ended 31 December 2015 to approximately RMB2.8 million for the year ended 31 December 2016, primarily attributable to the decrease in service fee income due to cessation of service to Shineroad Industries in 2016, partially offset by the increase in government grants from approximately RMB1.4 million to approximately RMB2.3 million.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 16.3% from approximately RMB15.6 million for the year ended 31 December 2015 to approximately RMB18.2 million for the year ended 31 December 2016, primarily due to increase in rental expenses from approximately RMB1.6 million to RMB2.5 million for the same period. Such increase was primarily attributable to the increase in rent of the warehouse in 2016.

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Administrative expenses

Our administrative expenses increased by approximately 38.7% from approximately RMB12.7 million for the year ended 31 December 2015 to approximately RMB17.5 million for the year ended 31 December 2016, primarily due to the increase in salaries and allowances from approximately RMB4.3 million to RMB10.6 million for the same period. Such increase was primarily attributable to the increase in average salaries and the recruitment of new administrative personnel in order to cope with the increase in revenue in 2016.

Finance cost

Our finance cost slightly decreased from approximately RMB1.9 million for the year ended 31 December 2015 to approximately RMB1.8 million for the year ended 31 December 2016, primarily due to the bank loan with higher annual interest rate being repaid and new bank loans with lower annual interest rate being obtained for the same period.

Income tax expense

Our income tax expense decreased by approximately 10.6% from approximately RMB11.7 million for the year ended 31 December 2015 to approximately RMB10.5 million for the year ended 31 December 2016, primarily due to the decreased in profit before tax from approximately RMB44.2 million for the year ended 31 December 2015 to approximately RMB40.3 million for the year ended 31 December 2016. Our effective tax rate decreased from approximately 26.4% for the year ended 31 December 2015 to approximately 25.9% for the year ended 31 December 2016, primarily due to the decrease in non-deductible tax expense for the same period.

Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately 8.0% from approximately RMB32.5 million for the year ended 31 December 2015 to approximately RMB29.9 million for the year ended 31 December 2016.

LIQUIDITY AND CAPITAL RESOURCES

Our use of cash primarily relates to our operating activities and repayment of bank loans. We have historically financed our operation primarily through cash flow generated from our operations, bank and other loans. We were able to repay our obligations when they became due. We did not experience material difficulties in rolling over our banking facilities during the Track Record Period. We regularly monitor the repayment dates of financial liabilities, including trade payables, other payables and accrued charges, etc to match with financial resources available to us from time to time. Our Group manages liquidity risk by maintaining adequate financial resources, including existing cash and bank balances, operating cash flows and banking facilities.

We currently expect that there will not be any material change in our sources of cash and use of cash, and additional funds is expected to be available from proceeds of the Share Offer for implementing our future plans as detailed in “Future Plans and Use of Proceeds” in this prospectus.

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Cash Flows

The following table sets forth a summary of our consolidated cash flow for the periods indicated:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows generated from operating activities	21,108	6,221	33,935
Net cash flows generated from/(used in) investing activities	22,095	122	(71)
Net cash flows generated from/(used in) financing activities	<u>(52,836)</u>	<u>3,200</u>	<u>15,719</u>
Net increase/(decrease) in cash and cash equivalents	(9,633)	9,543	49,583
Cash and cash equivalents at beginning of year	39,845	30,215	39,828
Effect of foreign exchange rate changes, net	<u>3</u>	<u>70</u>	<u>(721)</u>
Cash and cash equivalents at end of year	<u><u>30,215</u></u>	<u><u>39,828</u></u>	<u><u>88,690</u></u>

Cash flows generated from/(used in) operating activities

Our cash generated from or used in operating activities comprises profit before taxation adjusted for non-cash items, such as depreciation, impairment of inventory and adjusted for the change in working capital. During the Track Record Period, our cash flow from operating activities was principally from profit before taxation. Our cash used in operating activities was principally for purchases of inventories and increase in trade and bills receivables, prepayments, deposits and other receivable, trade payables and other payable and accruals, amounts due from/(to) related parties and amount due to the Controlling Shareholder.

For the year ended 31 December 2017, we had net cash from operating activities of approximately RMB33.9 million, which was primarily contributed by our profit before tax of approximately RMB38.5 million, a decrease in inventory of approximately RMB14.4 million and prepayments of approximately RMB10.2 million. These cash inflow was partially offset by an increase in pledged deposits of approximately RMB12.3 million, and an increase in trade and bills receivables of approximately RMB9.2 million. The decrease in inventory and prepayment was primarily due to improvement of inventory management. The increase in pledged deposits was primarily caused by the expiration of a banking facility agreement for the sum of approximately USD4.5 million on 1 November 2017. We entered into a renewed banking facility agreement on 2 January 2018. During the transitional period between 1 November 2017 and 2 January 2018, we

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had to maintain pledged deposits in our account in order to secure the letter of credits we issued to our suppliers in that period. The increase in trade and bill receivables was primarily due to the increase in sales to one of our customers which is well known on its tea products.

For the year ended 31 December 2016, we had net cash from operating activities of approximately RMB6.2 million, which was primarily contributed by our profit before tax of approximately RMB40.3 million and an increase in trade payables of approximately RMB9.8 million. These cash inflow was partially offset by an increase in inventories of approximately RMB10.1 million, a decrease in amount due to related parties — trade related of approximately RMB12.1 million and payment of income tax of approximately RMB20.5 million. The increase in trade payables was primarily due to purchase of our inventories. The increase in inventories was primarily due to our consumption for the purchases of our inventories. The decrease in amounts due to related parties — trade related was primarily due to related parties. The payment of income tax was primarily attribute to income tax in 2015.

For the year ended 31 December 2015, we had net cash from operating activities of approximately RMB21.1 million, which was primarily contributed by our profit before tax of approximately RMB44.2 million, a decrease in amounts due from related parties — trade related of approximately RMB108.3 million. These cash inflow was partially offset by an increase in inventories of approximately RMB21.3 million, an increase in trade receivables and bill receivables of approximately RMB18.6 million and a decrease in amount due to related parties — trade related of approximately RMB86.2 million. The decrease in amounts due from related parties — trade related was primarily due to the settlement of the receivables by Shineroad Industries. The decrease in amounts due to related parties — trade related was primarily due to the settlement of the payables to Shineroad Industries. The increase in trade receivables and bill receivables was primarily due to the extension of credit period for our customers upon their request.

Cash flows generated from/(used in) investing activities

Our cash flows generated from or used in investing activities primarily consisted of payment for the purchases of property, plant and equipment and intangible assets. Our cash inflow for investing activities primarily consisted of interest received from our cash at our bank and amount received from the disposal of equipment.

For the year ended 31 December 2017, our net cash used in investing activities amounted to approximately RMB71,000, which was primarily attributable to our purchases of items of property, plant and equipment of approximately RMB525,000 for office use. These cash outflow was partially by the interest received from our cash at our bank of approximately RMB469,000.

For the year ended 31 December 2016, our net cash from investing activities amounted to approximately RMB122,000, which was primarily attributable to the interest received from our cash at our bank of approximately RMB395,000. These cash inflow was partially offset by our purchases of office equipment of approximately RMB207,000 for office use.

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For the year ended 31 December 2015, our net cash from investing activities amounted to approximately RMB22.1 million, which was primarily attributable to the repayment of loans from Shineroad Industries of RMB42.0 million. These cash inflow was partially offset by the advances of loans to Shineroad Industries of RMB20.0 million.

Cash flows generated from/(used in) financing activities

Our cash flows generated from or used in financial activities primarily consisted of new bank loans and proceeds from issue of shares. Our cash outflow for financing activities primarily consisted of repayment of bank loans and other borrowings and interests and payment of dividends.

For the year ended 31 December 2017, our net cash from financing activities amounted to approximately RMB15.7 million, which was primarily attributable to proceeds from issue of shares to controlling shareholder of approximately RMB115.8 million. These cash inflow was partially offset by dividends paid of approximately RMB58.4 million and payment of acquisition amount to the controlling shareholder in connection with the Reorganisation of approximately RMB38.6 million.

For the year ended 31 December 2016, our net cash from financing activities amounted to approximately RMB3.2 million, which was primarily attributable to our new bank loan of RMB40.0 million and acquisition of loans from Shineroad Industries and Mrs. Huang Xiaodan of RMB40.0 million. These cash inflow was partially offset by repayment of our bank loans of RMB30.0 million and repayment of loans from Shineroad Industries and Mrs. Huang Xiaodan of RMB40.0 million.

For the year ended 31 December 2015, our net cash used in financing activities amounted to approximately RMB52.8 million which was primarily attributable to the repayment of our bank loans of approximately RMB6.8 million, dividend paid of approximately RMB37.0 million and payment of acquisition amount to the controlling shareholder in connection with the Reorganisation of approximately RMB6.4 million.

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Net current assets

The table below sets forth our current assets, current liabilities and net current liabilities for the period indicated:

	As at 31 December			As at
	2015	2016	2017	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)
Current assets				
Inventories	43,939	53,988	37,906	46,762
Trade and bills receivables	72,114	77,327	85,633	59,741
Prepayment, deposits and other receivables	14,841	19,685	10,736	920
Amounts due from related parties	4,387	96	—	—
Pledged deposits	6,491	6,700	18,955	21,828
Cash and cash equivalents	<u>30,215</u>	<u>39,828</u>	<u>88,690</u>	<u>66,881</u>
Total current assets	<u>171,987</u>	<u>197,624</u>	<u>241,920</u>	<u>196,132</u>
Current liabilities				
Trade payables	24,442	34,192	38,394	18,447
Other payables and accruals	5,168	8,477	14,695	5,995
Amounts due to the Controlling Shareholder	1,323	1,174	—	—
Amounts due to related parties	23,236	11,117	2,172	1,960
Interest-bearing bank loans and other borrowings	30,000	—	—	5,000
Tax payable	<u>13,295</u>	<u>3,283</u>	<u>3,788</u>	<u>808</u>
Total current liabilities	<u>97,464</u>	<u>58,243</u>	<u>59,049</u>	<u>32,210</u>
Net current assets	<u>74,523</u>	<u>139,381</u>	<u>182,871</u>	<u>163,922</u>

At 31 December 2015, 2016, 2017 and 30 April 2018, we had net current assets of approximately RMB74.5 million, RMB139.4 million, RMB182.9 million and RMB163.9 million, respectively.

Our net current assets increased from approximately RMB74.5 million as at 31 December 2015 to approximately RMB139.4 million as at 31 December 2016. The increase was primarily due to an increase in cash and cash equivalents of approximately RMB9.6 million, please refer to “LIQUIDITY AND CAPITAL RESOURCES — Cash Flows” for details, and a decrease in interest-bearing bank loans and other borrowings of the entrusted loan amounted RMB30.0 million, the trustee was Mr. HB Huang.

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Our net current assets increased from approximately RMB139.4 million as at 31 December 2016 to approximately RMB182.9 million as at 31 December 2017. The increase was primarily due to an increase in cash and cash equivalents of approximately RMB48.9 million as a result of net cash generated from operating activities. Please refer to “LIQUIDITY AND CAPITAL RESOURCES — Cash Flows” for details.

Our net current assets decreased from approximately RMB182.9 million as at 31 December 2017 to approximately RMB163.9 million as at 30 April 2018. The decrease was primarily due to the repayment of two entrusted loans of RMB40 million. The decrease was partially offset by the two new entrusted loans of RMB5 million and RMB10 million in April 2018.

As at 30 April 2018, being the latest practicable date for ascertaining certain financial information of our Group, we had net current assets of approximately RMB163.9 million based on our unaudited consolidated management account.

Working capital

As at 30 April 2018, being the latest practicable date for the purpose of indebtedness statement in this prospectus, our other borrowings, which was unsecured, amounted to RMB15.0 million, which were primarily used to support our general working capital as our business continues to grow. Our directors believe that after taking into consideration the financial resources available to us, including cash flows from our operations and the estimated net proceeds from the Share Offer, we will be able to settle our indebtedness and will have sufficient working capital for at least 12 months commencing from the date of this prospectus.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment mainly consisted of (i) machinery, (ii) motor vehicles and (iii) office equipment. Net of depreciation, the carrying amount of property, plant and equipment was approximately RMB0.8 million, RMB0.6 million, and RMB0.7 million as at 31 December 2015, 2016 and 2017, respectively. From year ended 31 December 2015 to 31 December 2016, the decrease in property, plant and equipment was mainly a result of depreciation expenses recorded. From year ended 31 December 2016 to 31 December 2017, net of depreciation, the carrying amount of property, plant and equipment increased from approximately RMB0.6 million to RMB0.7 million primarily due to the increase in office equipment and motor vehicles.

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Inventories

Our inventories principally comprise finished goods of (i) food ingredients, (ii) food additives and (iii) packaging materials. The following table sets forth a breakdown of our inventories as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Food ingredients	14,902	28,086	19,894
Food additives	29,012	24,775	17,950
Packaging materials	<u>25</u>	<u>1,209</u>	<u>62</u>
	43,939	54,070	37,906
Less: provision for inventories	<u>—</u>	<u>(82)</u>	<u>—</u>
Total	<u>43,939</u>	<u>53,988</u>	<u>37,906</u>

Our inventories increased from approximately RMB43.9 million as at 31 December 2015 to approximately RMB54.0 million as at 31 December 2016. Such increase was primarily due to the increase in our procurement of food ingredients as a result of (i) the sales orders with expected delivery time to our customers in the first quarter of 2017; and (ii) the purchase of food ingredients, namely, creamer powder, which was newly launched and sourced from Supplier A.

Our inventory decreased from approximately RMB54.0 million as at 31 December 2016 to approximately RMB37.9 million as at 31 December 2017. Such decrease was primarily due to improvement of inventory management.

We regularly review our inventory levels for slow moving inventory, obsolescence or declines in market value. Allowance is made when the net realisable value, which is based primarily on the latest market price estimated by the management, of inventories falls below the cost or any of the inventories is identified obsolete. During the year ended 31 December 2016, we made the provision for inventories of approximately RMB82,000 for obsolescence. The food ingredient — creamer powder was newly launched in the December of 2016 which was sourced from Supplier A but was not popular in the market. We have not made any provision or written off any inventory due to damage or obsolescence during the year ended 31 December 2015 and 2017 as we have not experienced any significant damage or loss in respect of our inventories throughout the said period.

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The table below sets forth our average inventory turnover days for the period indicated:

	For the year ended 31 December		
	2015	2016	2017
Average inventory turnover days (<i>Note</i>)	<u>32</u>	<u>42</u>	<u>38</u>

Note: Average inventory turnover days is equal to the average of the beginning and ending inventory balance of the year divided by cost of sales of the year and multiplied by 365 days for a year.

The average inventory turnover days increased from approximately 32 days for the year ended 31 December 2015 to approximately 42 days for the year ended 31 December 2016 which was primarily due to the increase in inventories as at 31 December 2016 attributable to the increase in procurement as a result of the sales orders with expected delivery time to our customers in the first quarter of 2016.

The average inventory turnover days decreased from approximately 42 days for the year ended 31 December 2016 to approximately 38 days for the year ended 31 December 2017 which was primarily due to decrease in inventories as at 31 December 2017 attributable to improvement of inventory management.

As at the Latest Practicable Date, approximately RMB35.4 million or 93.5% of our inventories as at 31 December 2017 had been sold.

Trade and bills receivables and amounts due from related parties

The table below sets forth a breakdown of our trade and bills receivables by category as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	67,657	74,445	76,949
Bill receivables	4,457	2,882	9,584
Impairment	<u>—</u>	<u>—</u>	<u>(900)</u>
Total	<u>72,114</u>	<u>77,327</u>	<u>85,633</u>

Our trade and bills receivables primarily relates to receivables for our products sold to our Independent Third Parties' customers. We typically sell our food ingredients and additives to our customers by cash on delivery or on credit ranging from 7 days to 120 days depending on a number of factors, such as credit history, historical relationship with us, scale of operation and order size. We normally grant longer credit terms to customers with (i) large operation size; (ii) established reputation; and (iii) long business relationship with our Group.

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Our trade and bills receivables increased from approximately RMB72.1 million as at 31 December 2015 to approximately RMB77.3 million as at 31 December 2016 which was in line with the increase in our sales. Our trade and bills receivables increased from approximately RMB77.3 million as at 31 December 2016 to approximately RMB85.6 million as at 31 December 2017 which was primarily attributable to the increase in bill receivables from approximately RMB2.9 million as at 31 December 2016 to approximately RMB9.6 million as at 31 December 2017. Such increase was primarily due to the increase in the sales to one of our customers which is well known on its tea product, and was partially offset by the provision of impairment, primarily as a result of our inability to recover a judgement debt owed by a customer to us under a legal proceedings. For further details on the legal proceedings, please refer to the paragraphs headed “Business — Litigations, claims and non-compliance” in this prospectus.

Our amounts due from related parties mainly comprise (i) the amount due from Hi-road which are receivables from the supply of food ingredients and food additives; (ii) the amount due from Teaheals which are receivables from the supply of food ingredients and food additives; (iii) the amount due from Hi-morse Food which are receivables from the supply of food ingredients and food additives; and (iv) the amount due from Shineroad Industries which are receivables from the supply of food ingredients and food additives and the provision of management services and inter-company lending activities. Please refer to note 29 to the Accountants’ Report in Appendix I to this prospectus for further information.

The following table sets forth a breakdown of our amounts due from related parties as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hi-road	65	65	—
Teaheals	15	9	—
Hi-morse Food	14	22	—
Shineroad Foods (India) Pvt. Ltd.	—	—	—
Shineroad Industries — supplying food ingredients and food additives and providing management services	4,293	—	—
Shineroad Industries — inter-company lending activities	—	—	—
Total	<u>4,387</u>	<u>96</u>	<u>—</u>

Amounts due from related parties decreased to approximately RMB96,000 for the year ended 31 December 2016 compared with RMB4.4 million for the year ended 31 December 2015, mainly because (i) the amount due from Shineroad Industries was fully settled; (ii) the sales to Shineroad Industries ceased in 2015; and (iii) the inter-company loan was settled.

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The following table sets forth an ageing analysis of our trade and bills receivables and amounts due from related parties excluding inter-companies loan activities net of allowance for doubtful debts presented based on invoice dates (excluding unbilled revenue) as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables			
Within 3 months	71,689	73,876	83,324
3 to 6 months	413	1,228	2,059
Over 6 months	<u>12</u>	<u>2,223</u>	<u>250</u>
Total	<u><u>72,114</u></u>	<u><u>77,327</u></u>	<u><u>85,633</u></u>
Amounts due from related parties excluding inter-company loan activities			
Within 3 months	1,502	16	—
3 to 6 months	—	—	—
6 to 12 months	2,886	66	—
Over 1 year	<u>—</u>	<u>14</u>	<u>—</u>
Total	<u><u>4,387</u></u>	<u><u>96</u></u>	<u><u>—</u></u>

In determining the recoverability of the trade and bills receivables, we consider any change in the credit quality of the trade and bills receivables from the date on which the credit was initially granted up to the reporting date.

We determine the allowance for bad debts based on the evaluation of collectability and ageing analysis of the receivables and on our management's judgment including the assessment of change in credit quality and the past repayment history of each customer.

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The table below sets forth our average trade and bills receivables turnover days and amounts due from related parties' turnover days for the period indicated:

	For the year ended 31 December		
	2015	2016	2017
Average trade and bills receivables turnover days (<i>Note 1</i>)	54	55	57
Average amounts due from related parties' turnover days (<i>Note 2</i>)	652	159	2
Average trade and bills receivables and amounts due from related parties' turnover days (<i>Note 3</i>)	<u>97</u>	<u>56</u>	<u>56</u>

Notes:

- (1) Average trade and bills receivables turnover days is equal to the average of the beginning and ending balance of trade and bills receivables for the year divided by revenue excluding related parties transaction for the year and multiplied by 365 days for a year.
- (2) Average amount due from related parties' turnover days is equal to the average of the beginning and ending balance of amount due from related parties excluding inter-company loan activities for the year divided by the sum of revenue from related parties and other income from related parties for the year and multiplied by 365 days for a year.
- (3) Average trade and bills receivables and amounts due from related parties' turnover days is equal to the sum of average of the beginning and ending balance of trade and bills receivables and amounts due from related parties excluding inter-company loan activities for the year divided by the sum of revenue and other income from related parties for the year and multiplied by 365 days for a year.

Our average trade and bills receivables turnover days was 54 days, 55 days and 57 days for each of the years ended 31 December 2015, 2016 and 2017, respectively which was relatively stable throughout the period and was generally in line with our credit terms granted to our customers.

Our average amounts due from related parties' turnover days was 652 days, 159 days and 2 days for each of the years ended 31 December 2015, 2016 and 2017, respectively.

Our average amounts due from related parties' turnover days decreased from 652 days for the year ended 31 December 2015 to 159 days for the year ended 31 December 2016, primarily due to the cessation of sales to Shineroad Industries. Our average amounts due from related parties' turnover days decreased from 159 days for the year ended 31 December 2016 to 2 days for the year ended 31 December 2017, primarily because the amounts due from related parties was nil for the year ended 31 December 2017.

As at the Latest Practicable Date, approximately RMB84.6 million or 98.7% of our trade and bills receivables (before provision for impairment of trade and bills receivables) as at 31 December 2017 was settled.

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Prepayment, deposits and other receivables

The table below sets forth a breakdown of prepayments, deposits and other receivables as at the date indicated:

	For the year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Advances to suppliers	11,268	15,828	5,619
Prepaid lease for building	271	547	768
Rental deposits	132	198	157
Advances to employees	268	105	47
Deductible import VAT	1,782	1,175	133
Others	<u>1,120</u>	<u>1,832</u>	<u>4,012</u>
Total	<u><u>14,841</u></u>	<u><u>19,685</u></u>	<u><u>10,736</u></u>

The balances of prepayments, deposit and other receivables mainly consist of advances to suppliers for procurement of food ingredients and additives. The nature of advances to employees were principally transportation expenses and entertainment fee.

Our prepayments, deposits and other receivables increased from approximately RMB14.8 million as at 31 December 2015 to approximately RMB19.7 million as at 31 December 2016, which was mainly due to the increase in the amount prepaid to our suppliers for the procurement of food ingredients and additives of approximately RMB4.6 million to satisfy customers' orders which were due for delivery at the beginning in the first quarter of 2017.

Our prepayments, deposits and other receivables decreased from approximately RMB19.7 million as at 31 December 2016 to approximately RMB10.7 million as at 31 December 2017, which was mainly due to the decrease in the amount prepaid for the procurement of food ingredients and additives of approximately RMB10.2 million. The decrease in our prepayment, deposits and other receivables was partially offset by the increase of others from approximately RMB1.8 million as at 31 December 2016 to approximately RMB4.0 million as at 31 December 2017, primarily as a result of capitalisation of listing expenses.

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Trade payables and amounts due to related parties

The table below sets forth a breakdown of our trade payables as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	<u>24,442</u>	<u>34,192</u>	<u>38,394</u>

Our trade payables primarily consisted of balances related to our suppliers for purchasing of food ingredients and food additives. Our suppliers generally offer us trade credit periods from 7 to 90 days.

Our trade payables increased from approximately RMB24.4 million as at 31 December 2015 to approximately RMB34.2 million as at 31 December 2016 which was generally in line with the increase in our cost of sales. Our trade payables increased from approximately RMB34.2 million as at 31 December 2016 to approximately RMB38.4 million as at 31 December 2017 which was generally in line with the increase in our cost of sales.

Our amounts due to related parties mainly comprise (i) the amount due to Hi-Road Food which are payables for the purchase of food additives; (ii) the amount due to Teaheals which are payables for the purchase of food ingredients; (iii) the amount due to Hi-morse Food which are payables for rental fee and the purchase of food ingredients; (iv) the amount due to Crown Fortune Investment Limited which were mainly attributable to the Listing expenses of our Group; (v) the amount due to Shineroad Industries which are payables for the purchase of food ingredients and food additives; and (vi) the amount due to Ms. Huang Xiaodan which were the operating expenses paid on behalf of our Group before the Track Record Period. Please refer to note 29 to the Accountants' Report in Appendix I to this prospectus for further information.

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The following table sets forth a breakdown of our amounts due to related parties as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hi-road	53	706	114
Teaheals	—	2,890	1,947
Hi-morse Food	166	422	111
Crown Fortune Investment Limited	2,340	6,174	—
Shineroad Industries — purchasing food ingredients and food additives	17,740	925	—
Ms. Huang Xiaodan	<u>2,937</u>	<u>—</u>	<u>—</u>
Total	<u><u>23,236</u></u>	<u><u>11,117</u></u>	<u><u>2,172</u></u>

Amounts due to related parties decreased to approximately RMB11.1 million as at 31 December 2016 compared with approximately RMB23.2 million as at 31 December 2015, mainly because of the net effect of (i) the settlement of approximately RMB16.8 million of amount due to Shineroad Industries; (ii) the cessation of purchase from Shineroad Industries in 2015; and (iii) the full settlement of amount due to Ms. Huang Xiaodan. These have partially offset the increase in amount due to Teaheals and Crown Fortune Investment Limited. Amounts due to related parties decreased to approximately RMB2.2 million as at 31 December 2017 compared with approximately RMB11.1 million as at 31 December 2016, mainly because of the net effect of the full settlement of amount due to Crown Fortune Investment Limited.

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The following tables sets forth an aging analysis of our trade payables and amounts due to related parties excluding (i) Listing expenses; and (ii) operating expense presented based on invoice as at the dated indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables			
Within 3 months	24,383	34,087	38,209
3 to 6 months	—	16	7
6 to 12 months	59	14	3
Over 12 months	<u>—</u>	<u>75</u>	<u>175</u>
Total	<u><u>24,442</u></u>	<u><u>34,192</u></u>	<u><u>38,394</u></u>
Amounts due to related parties			
Within 3 months	14,170	4,017	2,172
3 to 6 months	917	—	—
6 to 12 months	2,872	—	—
Over 12 months	<u>—</u>	<u>925</u>	<u>—</u>
Total	<u><u>17,959</u></u>	<u><u>4,942</u></u>	<u><u>2,172</u></u>

We settled all non-trading nature amounts due to related parties with our internal resources.

The table below sets forth our average trade payables turnover days and amounts due to related parties' turnover days for the period indicated:

	For the year ended 31 December		
	2015	2016	2017
Average trade payables turnover days (<i>Note 1</i>)	30	26	31
Average amounts due to related parties' turnover days (<i>Note 2</i>)	890	296	57
Average trade payables and amounts due to related parties' turnover days (<i>Note 3</i>)	<u><u>91</u></u>	<u><u>36</u></u>	<u><u>34</u></u>

Notes:

- (1) Average trade payables turnover days is equal to the average of the beginning and ending trade payables balances for the year divided by purchase amount of the year excluding related parties transaction and multiplied by 365 days for a year.

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- (2) Average amounts due to related parties' turnover days is equal to the average of the beginning and ending balance of amount due to related parties excluding (i) Listing expenses; and (ii) operating expenses for the year divided by purchase amount from related parties for the year and multiplied by 365 days for a year.
- (3) Average trade payables and amounts due to related parties' turnover days is equal to the sum of average of the beginning and ending balance of trade payables and amounts due to related parties excluding (i) Listing expenses; and (ii) operating expense for the year divided by the purchase amount of the year and multiplied by 365 days for a year.

Our trade payables turnover days was relatively stable for each of the years ended 31 December 2015, 2016, 2017, respectively, which was in line with the general credit terms granted by our suppliers ranging from 7 to 90 days upon delivery of goods.

Our average amounts due to related parties' turnover days was 890 days, 296 days and 57 days for each of the years ended 31 December 2015, 2016 and 2017, respectively. Our average amounts due to related parties' turnover days decreased from 890 days for the year ended 31 December 2015 to 296 days for the year ended 31 December 2016 primarily due to the cessation of purchase from Shineroad Industries in 2015. Our average amounts due to related parties' turnover days decreased from 296 days for the year ended 31 December 2016 to 57 days for the year ended 31 December 2017 primarily due to the cessation of purchase from Shineroad Industries in 2015.

As at Latest Practicable Date, approximately RMB38.2 million or 99.5% of our trade payables as at 31 December 2017 was settled.

As at Latest Practicable Date, approximately RMB2.1 million or 100.0% of our amount due to related parties as at 31 December 2017 was settled.

Other payables and accruals

The table below sets forth the breakdown of our other payables and accruals as at the date indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Advances from customers	2,729	2,742	1,364
Payroll and welfare payable	973	3,201	4,003
Logistics related fees	1,266	2,357	4,010
Other tax payables	177	91	1,083
Accrued listing expenses	—	—	3,998
Other payables	<u>23</u>	<u>86</u>	<u>237</u>
Total	<u>5,168</u>	<u>8,477</u>	<u>14,695</u>

FINANCIAL INFORMATION

The increase in other payables and accruals from approximately RMB5.2 million as at 31 December 2015 to approximately RMB8.5 million as at 31 December 2016 was primarily due to the net effect of (i) the increase in logistics related fee of approximately RMB1.1 million; and (ii) the increase in payroll and welfare of approximately RMB2.2 million.

The increase in other payables and accruals from approximately RMB8.5 million as at 31 December 2016 to approximately RMB14.7 million as at 31 December 2017 was primarily due to (i) the increase in accrued listing expenses of approximately RMB4.0 million; and (ii) the increase in logistics related fee of RMB1.7 million.

Other tax payables mainly included various kinds of government levies or taxes such as value added tax (增值稅), urban construction tax (城市建設維護稅) and education supplementary tax (教育附加費).

KEY FINANCIAL RATIOS

The table below sets forth certain of our key financial ratios as at the dates or for the periods indicated:

	As at or for the year ended 31 December		
	2015	2016	2017
Current ratio ¹	1.8 times	3.4 times	4.1 times
Quick ratio ²	1.3 times	2.5 times	3.5 times
Gearing ratio ³	39.8%	40.0%	27.8%
Interest coverage ⁴	24.6 times	23.9 times	19.3 times
Return on total assets ⁵	18.6%	15.0%	11.2%
Return on equity ⁶	42.7%	29.7%	18.9%
Gross profit margin ⁷	16.0%	15.3%	16.1%
Net profit margin ⁸	7.1%	5.9%	5.2%

Notes:

1. Current ratio is calculated based on total current assets divided by total current liabilities as at the respective year end.
2. Quick ratio is calculated based on total current assets less inventories and divided by total current liabilities as at the respective year end.
3. Gearing ratio is calculated based on total debt divided by total equity as at the respective year end and multiplied by 100%. Debts are defined to include payables incurred not in the ordinary course of business.
4. Interest coverage is calculated by profit before interest and tax divided by interest for the respective year.
5. Return on total assets is calculated by profit attributable to owners of the Company for the year divided by total assets as at the respective year end and multiplied by 100%.

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6. Return on equity is calculated by profit attributable to owners of the Company for the year divided by total equity as at the respective year end and multiplied by 100%.
7. Gross profit margin is calculated by gross profit divided by revenue for the respective year and multiplied by 100%.
8. Net profit margin is calculated by profit attributable to owners of the Company for the year divided by revenue for the respective year and multiplied by 100%.

Current ratio

Our current ratio were approximately 1.8, 3.4 and 4.1 as at 31 December 2015, 2016 and 2017, respectively. Our current ratio increased from approximately 1.8 as at 31 December 2015 to approximately 3.4 as at 31 December 2016 primarily due to (i) the increase in cash and cash equivalents of approximately RMB9.6 million; and (ii) the decrease in interest-bearing bank and other borrowings of approximately RMB30.0 million. Our current ratio increased from approximately 3.4 as at 31 December 2016 to approximately 4.1 as at 31 December 2017 primarily due to the increase in cash and cash equivalents of approximately RMB48.9 million.

Quick ratio

Our quick ratio were approximately 1.3, 2.5 and 3.5 as at 31 December 2015, 2016 and 2017, respectively. Our quick ratio increased from approximately 1.3 as at 31 December 2015 to approximately 2.5 as at 31 December 2016, which was generally in line with the increase in current ratio for the same period. Our quick ratio increased from approximately 2.5 as at 31 December 2016 to approximately 3.5 as at 31 December 2017, which was generally in line with the increase in current ratio for the same period.

Gearing ratio

Our gearing ratio were approximately 39.8%, 40.0% and 27.8% as at 31 December 2015, 2016 and 2017, respectively. Our gearing ratio maintained relatively stable as at 31 December 2015 and 2016. Our gearing ratio decreased from approximately 40.0% as at 31 December 2016 to approximately 27.8% as at 31 December 2017 primarily due to the increase of share premium.

Interest coverage

Our interest coverage ratio were approximately 24.6, 23.9 and 19.3 for the years ended 31 December 2015, 2016 and 2017, respectively. Our interest coverage ratio maintained relatively stable for the years ended 31 December 2015 and 2016. Our interest coverage ratio decreased from approximately 23.9 for the year ended 31 December 2016 to approximately 19.3 for the year ended 31 December 2017, which was primarily due to the increase in finance costs and the decrease in profit before interest and tax for the period as a result of listing expenses recognised during the period.

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Return on total assets

Our return on total assets were approximately 18.6%, 15.0% and 11.2% for the years ended 31 December 2015, 2016 and 2017, respectively. Our return on total assets decreased from approximately 18.6% for the year ended 31 December 2015 to approximately 15.0% for the year ended 31 December 2016 mainly due to the decrease in profit attributable to owners of the Company for the year and the increase in inventories and cash and cash equivalent. Our return on total assets decreased from approximately 15.0% for the year ended 31 December 2016 to approximately 11.2% mainly due to the decrease in profit attributable to owners of the Company for the year and the increase in cash and cash equivalents.

Return on equity

Our return on equity were approximately 42.7%, 29.7% and 18.9% for the years ended 31 December 2015, 2016 and 2017, respectively.

Our return on equity decreased from approximately 42.7% for the year ended 31 December 2015 to approximately 29.7% for the year ended 31 December 2016 primarily due to the increase in equity base during the year. Our return on equity decreased from approximately 29.7% for the year ended 31 December 2016 to approximately 18.9% for the year ended 31 December 2017 primarily due to the increase in equity base during the year.

Net profit margin

Our Group's net profit margin decreased from approximately 7.1% for the year ended 31 December 2015 to approximately 5.9% for the year ended 31 December 2016. Such decrease was primarily due to the increase in administrative expenses of approximately RMB4.9 million as a result of the increase in salaries and recruitment of additional administrative personnel.

Our Group's net profit margin decreased from approximately 5.9% for the year ended 31 December 2016 to approximately 5.2% for the year ended 31 December 2017. Such decrease primarily due to the increase in listing expenses of approximately RMB5.4 million.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

For the years ended 31 December 2015, 2016 and 2017, we incurred capital expenditure in respect of additions of property, plant and equipment of approximately RMB0.4 million, RMB0.2 million and RMB0.5 million, respectively. Our capital expenditure was funded by internal resources during the Track Record Period. The table below sets forth our Group's capital expenditure during the Track Record Period:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Machinery	13	—	3
Motor vehicles	—	—	252
Office equipment	<u>356</u>	<u>207</u>	<u>270</u>
Total	<u><u>369</u></u>	<u><u>207</u></u>	<u><u>525</u></u>

We had no material capital commitments as at 31 December 2015, 2016 and 2017.

Operating Lease Commitments

We lease our offices under operating lease arrangements. Leases are negotiated for lease terms of two to three years. The following table sets forth our commitments for future minimum lease payments under our non-cancellable operating leases which fall due as indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	2,665	1,814	2,684
In the second to fifth years inclusive	<u>2,346</u>	<u>499</u>	<u>4,227</u>
Total	<u><u>5,011</u></u>	<u><u>2,313</u></u>	<u><u>6,911</u></u>

FINANCIAL INFORMATION

INDEBTEDNESS

Other borrowings

Our other borrowings as at 31 December 2015, 2016 and 2017 and 30 April 2018 were as follows:

	As at 31 December			As at
	2015	2016	2017	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)
Current				
Other loans — unsecured	30,000	—	—	5,000
Non-current				
Other loans — unsecured	<u>—</u>	<u>40,000</u>	<u>40,000</u>	<u>10,000</u>
Total	<u><u>30,000</u></u>	<u><u>40,000</u></u>	<u><u>40,000</u></u>	<u><u>15,000</u></u>

For “Other loans — unsecured”, there were two loans, withdrawn by our Group under two tripartite entrusted loan agreements, respectively. The two entrusted loans were repaid on 18 April 2018 and 19 April 2018, respectively. We entered into two new entrusted loans of RMB5 million and RMB10 million (the trustee being an Independent Third Party) in April 2018. For the loan of RMB30 million, the trustee was Mr. HB Huang while the trustee of the RMB40 million loan was Ms. Jiang Jianou, who is Ms. Chen Dongying’s sister-in-law.

As at 31 December 2015, 2016, 2017 and 30 April 2018 the interest-bearing bank loans and other borrowings carried interest at market interest rates as follows:

	As at 31 December			As at
	2015	2016	2017	30 April
				2018
Other loan — unsecured	<u>6.15%</u>	<u>5.70%</u>	<u>5.22%</u>	<u>5.22%</u>

As at 31 December 2015, 2016, 2017 and 30 April 2018, our Group had a total indebtedness of RMB30.0 million, RMB40.0 million, RMB40.0 million and RMB15.0 million, respectively. As at the Latest Practicable Date, there was no unutilised banking facilities.

Our Directors confirmed that there is no material covenants relating to our banking facilities and there have been no material defaults in payments the Track Record Period and up to the Latest Practicable Date.

FINANCIAL INFORMATION

RELATED PARTY BALANCES AND TRANSACTIONS

For more information on our related party transaction, please see note 29 to our consolidated financial statements include in the section headed “Accountants’ Report” in Appendix I to this prospectus.

CONTINGENT LIABILITIES

Save as disclosed in this section, as at the Latest Practicable Date, we did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital management

Our Group’s primary objectives when managing capital are to safeguard our Group’s ability to continue as a going concern, so that we can continue to provide returns for Shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost. Our Group actively and regularly reviews and manages our capital structure to maintain a balance between the higher shareholders’ returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions. Our Group monitors capital with reference to our debt position. Our Group’s strategy was to maintain the equity and debt in a balanced position and ensure there was adequate working capital to service our debt obligations. As at 31 December 2015, 2016 and 2017, the ratio of our Group’s total liabilities over our total assets was approximately 56.4%, 49.5% and 40.8% respectively.

Financial risk management

Our Group is exposed to currency risk, interest rate risk, credit risk and liquidity risk in the normal course of business. The policies on how to mitigate these risks are set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Our Group’s operational activities are mainly denominated in RMB. Our Group is exposed to foreign currency risk primarily arising from purchase of goods by foreign currencies and bank deposits denominated in foreign currencies. We currently do not have a foreign currency hedging policy but we monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

FINANCIAL INFORMATION

Credit Risk

We are exposed to credit risk credit risk which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets, which comprise pledge bank deposits, bank balances and cash, amounts due from a related company and trade, bills and other receivables.

In order to minimise the credit risk, we have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, we consider that our Group's credit risk is significantly reduced.

Liquidity Risk

In the management of the liquidity risk, our Group monitors and maintains a level of bank balances and cash deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows as well as utilisation of bank borrowing.

LISTING EXPENSES

Our listing expenses mainly include underwriting fees and commissions and professional fees for the services rendered in relation to the Listing and the Share Offer. The estimated total listing expenses (based on the Offer Price of HK\$0.75 per share) for the Share Offer is approximately HK\$33.8 million (equivalent to approximately RMB27.7 million), of which approximately HK\$11.8 million (equivalent to approximately RMB9.7 million) is directly attributable to the Share Offer and is expected to be capitalised after the Share Offer. The remaining amount of approximately HK\$22.0 million (equivalent to approximately RMB18.0 million) has been or is to be charged to the consolidated statements of profit or loss and other comprehensive income, of which (i) approximately HK\$3.6 million (equivalent to approximately RMB2.9 million) was incurred and charged for the year ended 31 December 2015; (ii) approximately HK\$2.2 million (equivalent to approximately RMB1.8 million) was incurred and charged for the year ended 31 December 2016; (iii) approximately HK\$8.7 million (equivalent to approximately RMB7.2 million) was incurred and charged for the year ended 31 December 2017; and (iv) approximately HK\$7.5 million (equivalent to approximately RMB6.1 million) is expected to be charged for the year ending 31 December 2018.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on 26 November 2015 and is an investment holding company. There were no reserves available for distribution to the Shareholders as of the Latest Practicable Date.

FINANCIAL INFORMATION

DIVIDENDS

For each of the three years ended 31 December 2015, 2016 and 2017, we paid dividends of RMB37.0 million, nil and approximately RMB59.0 million, respectively, to our shareholders of our Company. However, our Company does not have any pre-determined dividend payout ratio. The declaration of dividends of our Company is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. Future dividend payments will also depend on the availability of dividends received from our operating subsidiary in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including the HKFRSs. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends.

There can be no assurance that we will be able to declare or distribute dividends 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.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to Appendix II — “Unaudited pro forma financial information” for details.

SUBSEQUENT EVENTS AND NO MATERIAL ADVERSE CHANGES

After the Track Record Period, we settled one of the entrusted loans for the principal amount of RMB20 million on 18 April 2018 and the other entrusted loan for the principal amount of RMB20 million on 19 April 2018. Our Group entered into two new entrusted loans (the trustee being an Independent Third Party) for the amount of RMB5 million and RMB10 million in April 2018.

Moreover, our Group is expected to further incur listing expenses in the year ending 31 December 2018, where approximately HK\$7.5 million (equivalent to approximately RMB6.1 million) is expected to be charged to our combined income statement for the year, as detailed in the paragraph headed “Listing expenses” above in this section.

FINANCIAL INFORMATION

Our Directors confirm that, save for the aforesaid, since 31 December 2017 and up to the date of this prospectus, there was no material adverse change in the trading and financial position or prospects of our Group and no event had occurred that would materially and adversely affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus, and this section.

Our Directors have confirm that, up to the date of this prospectus, there has been no material adverse change in the financial performance or prospects of our Group since 31 December 2017, being the end of the period reported on in the Accountants' Report and there has been no event since 31 December 2017 and up to the date of this prospectus which could materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

CORNERSTONE INVESTOR

THE CORNERSTONE PLACING

As part of the Placing, we have entered into a cornerstone investment agreement with Victor High Limited (the “**Cornerstone Investor**”), pursuant to which the Cornerstone Investor has agreed to subscribe for or purchase, at the Offer Price, such number of Offer Shares (rounded down to the nearest whole board lot of 4,000 Shares) that may be purchased for an aggregate amount of approximately HK\$25.5 million (excluding brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) (the “**Cornerstone Placing**”).

Based on the Offer Price of HK\$0.75, the total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investor would be 33,932,000, representing (a) approximately 20.0% of the total number of the Offer Shares; and (b) 4.99% of the Shares in issue and outstanding upon the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme).

As at the Latest Practicable Date, the Cornerstone Investor is not a shareholder of our Company. To the best knowledge of our Directors, the Cornerstone Investor is an Independent Third Party, independent from our Company, our connected persons and their respective associates. The Cornerstone Investor will subscribe for the Offer Shares pursuant to, and as part of, the Placing. The Cornerstone Investor will not subscribe for any Offer Shares under the Share Offer, other than pursuant to the cornerstone investment agreement.

The Offer Shares to be acquired by the Cornerstone Investor will rank *pari passu* with the fully paid Shares then in issue and to be listed on the Stock Exchange and will be counted towards the public float of our Company. Immediately following the completion of the Capitalisation Issue and the Share Offer, the Cornerstone Investor will not have any representation on our Board or become our substantial Shareholder. No special rights have been granted to the Cornerstone Investor as part of the Cornerstone Placing.

The Offer Shares to be acquired by the Cornerstone Investor will not be subject to reallocation of Shares between the Placing and the Public Offer in the event of over-subscription under the Public Offer.

CORNERSTONE INVESTOR

OUR CORNERSTONE INVESTOR

We have entered into a cornerstone investment agreement with the Cornerstone Investor in respect of the Cornerstone Placing. The details of the investment of our Cornerstone Investor are set forth below:

Cornerstone Investor	Investment amount	Number of Offer Shares	Based on the Offer Price of HK\$0.75	
			Approximate % of total number of Offer Shares	% of total Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer
Victor High Limited	<u>HK\$25,449,000</u>	<u>33,932,000</u>	<u>20.0%</u>	<u>4.99%</u>
Total	<u>HK\$25,449,000</u>	<u>33,932,000</u>	<u>20.0%</u>	<u>4.99%</u>

The information about our Cornerstone Investor set forth below has been provided by the Cornerstone Investor in connection with the Cornerstone Placing:

Victor High Limited

Victor High Limited is a limited liability company incorporated under the laws of BVI and is wholly owned by Mr. Luo Yun. Mr. Luo is a non-executive director and a committee member of the audit committee of Health and Happiness (H&H) International Holdings Limited (Stock code: 1112) (“**H&H Group**”), a company listed on the Main Board of the Stock Exchange. He is also a director of various subsidiaries under the H&H Group. Mr. Luo was appointed as a non-executive director of H&H Group on 12 May 2010. Mr. Luo has over 30 years of experience in the healthcare product industry.

CONDITIONS PRECEDENT

The obligations of our Company to issue and deliver the Offer Shares and the obligations of the Cornerstone Investor to subscribe for the Offer Shares under the cornerstone investment agreement are subject to the following conditions precedent:

- (a) the Underwriting Agreements being entered into and having become unconditional (in accordance with their respective original terms or as subsequently waived in part or in whole or varied by agreement of the parties thereto) by no later than the time and date as specified in the respective Underwriting Agreements;
- (b) neither of the Underwriting Agreements having been terminated;
- (c) the Stock Exchange having granted the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange;

CORNERSTONE INVESTOR

- (d) no laws shall have been enacted or promulgated by any regulatory authority which prohibit the subscription of the Offer Shares under the Share Offer or consummation of the investment under the cornerstone investment agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting such subscription or the consummation of the investment under the cornerstone investment agreement; and
- (e) the respective representations, warranties, undertakings and confirmations of the Company and the Cornerstone Investor under the cornerstone investment agreement are accurate and true in all material respects and not misleading and that there is no material breach of the cornerstone investment agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that, without the prior written consent of our Company and Cinda International Capital Limited as the Sole Sponsor and one of the Joint Bookrunners, it shall not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months following the Listing Date, (i) dispose of, or agree or contract to dispose of, either directly or indirectly, conditionally or unconditionally, any of the relevant Shares or any interest therein or any voting right or any other right attaching thereto; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or interest therein or any voting right or any other right attaching thereto; (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions; (iv) agree or contract to, or publicly announce any intention to enter into any aforesaid transactions, whether any of the aforesaid transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise.

CONNECTED TRANSACTIONS

OVERVIEW

Following the Share Offer, our Controlling Shareholders, Mr. Huang, Ocean Town and Shineroad Group will hold 75% of the total issued share capital of our Company. Pursuant to Chapter 14A of the Listing Rules, Mr. Huang, Ocean Town and Shineroad Group and their respective associates are our connected persons.

Accordingly, our transactions with such connected persons will constitute connected transactions and continuing connected transactions under Chapter 14A of the Listing Rules upon the Listing.

CONNECTED PERSONS

Set out below is the list of connected persons which had transactions with our Group during the Track Record Period and will continue to have transactions with our Company upon the Listing:

- (1) Mr. Huang, Ocean Town and Shineroad Group which will be interested in 75% of the total issued share capital of our Company upon the Listing and each a connected person of our Company pursuant to Rule 14A.07(1) of the Listing Rules;
- (2) Hi-Road, a company established in the PRC with limited liability which is owned as to 57.6% by Mr. Huang and 38.4% by Mr. HH Huang (a brother of Mr. Huang). Hi-Road principally engages in production and sales of its own products which are mainly used for making bakery food;
- (3) Hi-morse Food, a company established in the PRC with limited liability which is wholly-owned by Hi-Road and a connected person of our Company pursuant to Rule 14A.07(4) of the Listing Rules. Hi-morse Food is principally engaged in rental of own property and production of food additives; and
- (4) Teaheals, a company established in the PRC with limited liability which is wholly-owned by Mr. Huang and a connected person of our Company pursuant to Rule 14A.07(4) of the Listing Rules. Teaheals principally engages in production and sales of its tea powder, herbal powder and fruit powder products.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

- (1) **Tenancy Agreements with Hi-morse Food and Mr. Huang (the “Tenancy Agreements”)**
 - (i) *Tenancy Agreement with Hi-morse Food*

During the Track Record Period, Hi-morse Food has been leasing its property to Shanghai Shineroad, a wholly-owned subsidiary of our Company, for office and laboratory use.

CONNECTED TRANSACTIONS

On 4 June 2018, Shanghai Shineroad (as tenant) and Hi-morse Food (as landlord) entered into a tenancy agreement (the “**Hi-morse Food Tenancy Agreement**”) in order to govern the rental of property of our Group upon the Listing. Pursuant to the Hi-morse Food Tenancy Agreement, Hi-morse Food agreed to lease to Shanghai Shineroad a property situated at Block 2, 688 Jindou Road, Jinhui Town, Fengxian District, Shanghai, the PRC with a gross floor area of 641.1 sq.m. for office and laboratory use at a monthly rent of RMB14,625, which is payable by Shanghai Shineroad by way of bank transfer on a monthly basis. The term of the Hi-morse Food Tenancy Agreement commenced on 1 January 2018 and shall expire on 31 December 2018.

(ii) Tenancy Agreement with Mr. Huang

During the Track Record Period, Mr. Huang has been leasing his property to Shanghai Shineroad for office use.

On 4 June 2018, Shanghai Shineroad (as tenant) and Mr. Huang (as landlord) entered into a tenancy agreement (the “**Huang Tenancy Agreement**”) in order to govern the rental of property of our Group upon the Listing. Pursuant to the Huang Tenancy Agreement, Mr. Huang agreed to lease to Shanghai Shineroad a property situated at 25th Floor South, 1 Zhongyou Building, Lane 1040 Caoyang Road, Putuo District, Shanghai, the PRC with a gross floor area of 584.26 sq.m. for office use at a monthly rent of RMB53,314, which is payable by Shanghai Shineroad by way of bank transfer on a quarterly basis. The term of the Huang Tenancy Agreement commenced on 1 January 2018 and shall expire on 31 December 2018.

Pricing Policies of the Tenancy Agreements

The rental expenses under each of the Tenancy Agreements are calculated with reference to the floor area of the premises to be rented and the prevailing market rent of comparable properties in the vicinity at the relevant times, respectively.

According to the rental appraisal report issued by Crowe Horwath First Trust Advisory Pte. Ltd., an independent qualified valuer engaged by our Group, the terms of each of the Tenancy Agreements, including the rental levels, were in fair terms and were in line with the then market levels.

Reasons for entering into the Tenancy Agreements

The premises under the Tenancy Agreements were in use by our Group during the Track Record Period. The Directors believe that maintaining the offices at the existing premises under the Tenancy Agreements will avoid the incurrence of relocation costs and ensure smooth operations of our Group. The Directors consider that the transactions contemplated under the Tenancy Agreements are fair and reasonable, on normal commercial terms and in the interest of our Company and the Shareholders as a whole.

CONNECTED TRANSACTIONS

Historical Amounts

The historical transaction amounts of the rental expenses incurred by our Group to Hi-morse Food and Mr. Huang during the Track Record Period are as follows:

	For the year ended 31 December		
	2015	2016	2017
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Rental expenses incurred to Hi-morse Food	160	159	171
Rental expenses incurred to Mr. Huang	<u>640</u>	<u>640</u>	<u>631</u>
Total	<u><u>800</u></u>	<u><u>799</u></u>	<u><u>802</u></u>

Proposed annual caps and basis of caps

The proposed annual caps of each of the Tenancy Agreements for the year ending 31 December 2018 are as follows:

	For the year ending 31 December 2018
	<i>(RMB'000)</i>
Hi-morse Food Tenancy Agreement	175
Huang Tenancy Agreement	<u>640</u>
Total	<u><u>815</u></u>

The rental expenses payable by our Group under each of the Hi-morse Food Tenancy Agreement and Huang Tenancy Agreement were determined on arm's length basis and upon normal commercial terms after having considered the (i) historical rental expenses; (ii) floor area of the premises to be rented; and (iii) the prevailing market rent of comparable properties in the vicinity at the relevant times.

Listing Rules Implications

Since the terms and nature of the Hi-morse Food Tenancy Agreement and Huang Tenancy Agreement are substantially the same in nature, and the counterparty and/or the ultimate beneficial owner of the counterparty under both Tenancy Agreements are the same, the transactions contemplated under both Tenancy Agreements should be aggregated pursuant to the Listing Rules.

CONNECTED TRANSACTIONS

Since each of the applicable percentage ratios (other than the profit ratio) for the Tenancy Agreements, in aggregate, is less than 5% and the aggregated annual caps under the Tenancy Agreements with Hi-morse Food and Mr. Huang is less than HK\$3,000,000, both Tenancy Agreements will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules upon the Listing.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Master Purchase Agreements with Hi-Road and Teaheals (the “Master Purchase Agreements”)

(i) *Master Purchase Agreement with Hi-Road*

During the Track Record Period, our Group has been purchasing food ingredients and additives from Hi-Road and its subsidiaries for our Group's food ingredients and additives distribution business.

On 4 June 2018, Shanghai Shineroad, Beijing Shineroad and Guangzhou Jieyang (as purchasers) and Hi-Road and Hi-morse Food (as sellers) entered into a master purchase agreement (the “**Hi-Road Master Purchase Agreement**”) in order to govern the purchase of food flavourings, chocolate and other food ingredients and additives by our Group upon the Listing. Pursuant to the Hi-Road Master Purchase Agreement, the purchasers may purchase food flavourings, chocolate and other food ingredients and additives from the sellers. The purchase price, payment time and method, and other specific terms or conditions (if any) shall be fixed by relevant parties in the purchase order on a case-by-case basis. The term of the Hi-Road Master Purchase Agreement commenced on 1 January 2018 and shall expire on 31 December 2018.

(ii) *Master Purchase Agreement with Teaheals*

During the Track Record Period, our Group has been purchasing tea powder, herbal powder and fruit powder products from Teaheals for our Group's food ingredients distribution business.

On 4 June 2018, Shanghai Shineroad, Beijing Shineroad and Guangzhou Jieyang (as purchasers) and Teaheals (as seller) entered into a master purchase agreement (the “**Teaheals Master Purchase Agreement**”) in order to govern the purchase of tea powder, herbal powder and fruit powder products by our Group upon the Listing. Pursuant to the Teaheals Master Purchase Agreement, the purchasers may purchase tea powder, herbal powder and fruit powder products from the seller. The purchase price, payment time and method, and other specific terms or conditions (if any) shall be fixed by relevant parties in the purchase order on a case-by-case basis. The term of the Teaheals Master Purchase Agreement commenced on 1 January 2018 and shall expire on 31 December 2018.

CONNECTED TRANSACTIONS

The contract period of both Master Purchase Agreements are fixed for one year since the Company would like to reserve flexibility in determining, among others, the transaction amounts and/or the continuance of the transactions with Hi-Road and Teaheals after 2018.

Pricing Policy of the Master Purchase Agreements

The purchase prices of the food ingredients and additives under the Hi-Road Master Purchase Agreement are calculated with reference to the prevailing market prices of the same or comparable kind of food ingredients and additives, or the price to be agreed between the parties after having considered the market price. The market price under the Hi-Road Master Purchase Agreement shall be determined with reference to (i) the prevailing market price of same or similar food ingredients and additives obtained from third-party suppliers in the same or neighbourhood regions based on normal commercial terms and in the ordinary and usual course of business; (ii) if (i) is not applicable, the selling prices of same or similar food ingredients and additives obtained from third-party suppliers in the PRC based on normal commercial terms and in the ordinary and usual course of business; or (iii) if both (i) and (ii) are not available, the selling prices of the same food ingredients and additives offered by the sellers to its third-party customers based on normal commercial terms and in the ordinary and usual course of business.

The purchase prices of the tea powder, herbal powder and fruit powder products under the Teaheals Master Purchase Agreement are calculated with reference to the prevailing market prices of the same or comparable kind of tea powder, herbal powder and fruit powder products, or the price to be agreed between the parties after having considered the market price. The market price under the Teaheals Master Purchase Agreement shall be determined with reference to (i) the prevailing market price of same or similar tea powder, herbal powder and fruit powder products obtained from third-party suppliers in the same or neighbourhood regions based on normal commercial terms and in the ordinary and usual course of business; (ii) if (i) is not applicable, the selling prices of same or similar tea powder, herbal powder and fruit powder products obtained from third-party suppliers in the PRC based on normal commercial terms and in the ordinary and usual course of business; or (iii) if both (i) and (ii) are not available, the selling prices of the same tea powder, herbal powder and fruit powder products offered by the seller to its third-party customers based on normal commercial terms and in the ordinary and usual course of business.

Reasons for entering into the Master Purchase Agreements

During the Track Record Period, our Group had entered into transactions where we purchased various products from Hi-Road, Hi-Road's subsidiaries and Teaheals. For details, please see the section headed "Relationship with Controlling Shareholders" in this prospectus. The Directors consider that transactions contemplated under the Master Purchase Agreements are fair and reasonable, on normal commercial terms and in the interest of our Company and the Shareholders as a whole.

CONNECTED TRANSACTIONS

Historical Amounts

The historical transaction amounts for purchases incurred by our Group from Hi-Road, Hi-Road's subsidiaries and Teaheals during the Track Record Period are as follows:

	For the year ended 31 December		
	2015	2016	2017
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Purchase from Hi-Road and its subsidiaries	4,133	3,150	2,344
Purchase from Teaheals	<u>7,846</u>	<u>12,807</u>	<u>20,517</u>
Total	<u><u>11,979</u></u>	<u><u>15,957</u></u>	<u><u>22,861</u></u>

Proposed annual caps and basis of caps

The proposed annual caps of the Master Purchase Agreements for the year ending 31 December 2018 are as follows:

	For the year ending 31 December 2018 <i>(RMB'000)</i>
Hi-Road Master Purchase Agreement	3,130
Teaheals Master Purchase Agreement	<u>30,000</u>
Total	<u><u>33,130</u></u>

In arriving at the annual cap of the Hi-Road Master Purchase Agreement, the Directors had considered (i) historical purchase amounts; and (ii) the expected increase of approximately of RMB1.4 million, representing an increase of over 60% in the demand of the relevant food flavourings, chocolate and other food ingredients and additives from our customers with reference to discussion with our customers on their expected purchase amount for 2018.

In arriving at the annual cap of the Teaheals Master Purchase Agreement, the Directors had considered (i) historical purchase amounts; and (ii) the expected increase of approximately 40% to 50% in the demand of the tea powder, herbal powder and fruit powder products from our customers, with reference to the discussion with our customers on their expected purchase amount for 2018. The purchase from Teaheals (primarily

CONNECTED TRANSACTIONS

include tea powder, herbal powder and fruit powder products) increased by 60.2%, from RMB12.8 million for the year ended 31 December 2016 to RMB20.5 million for the year ended 31 December 2017. During the same period, our revenue derived from sales of Teaheals products recorded an increase by 60.1%, from RMB14.8 million to RMB23.7 million.

The annual cap under the Teaheals Master Purchase Agreement is higher than the historical purchase amounts because our Directors have taken into account the expected inflation rate of approximately 2.5% in the PRC and the expected increase in the PRC market demand of green tea powder at a CAGR of 5.8% for year ending 31 December 2018 according to the F&S Report and the above increasing trend. According to the F&S Report, the rising demand for tea beverages provides a huge growth momentum for the ingredients market of the derivatives from natural products such as tea powder, herbal powder and fruit powder products which might lead to possible inflation of the products in the next few years.

At the same time, our Group is continuously diversifying product portfolio, hence it is expected that our sales and procurement will continue to diversify. Accordingly, our Directors consider that an annual cap for the purchases of Teaheals products at RMB30.0 million for the year ending 31 December 2018 (which represented an increase of 46.2% as compared with the purchases in 2017) is in line with the trend as discussed above coupled with our strategies of diversification.

Listing Rules Implications

Since the terms and nature of Hi-Road Master Purchase Agreement and Teaheals Master Purchase Agreement are substantially the same, and the counterparties and/or the ultimate beneficial owner of the counterparties under both Master Purchase Agreements are the same, the transactions contemplated under both Master Purchase Agreements should be aggregated pursuant to the Listing Rules.

Since one or more of the applicable percentage ratios (other than the profit ratio) for the Master Purchase Agreements, in aggregate, is more than 5%, the Master Purchase Agreements will be subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon the Listing.

(2) Master Supply Agreement

During the Track Record Period, our Group has been supplying food ingredients and additives to Hi-Road and its subsidiaries in the ordinary and usual course of our Group's business.

On 4 June 2018, Shanghai Shineroad, Beijing Shineroad and Guangzhou Jieyang (as sellers) and Hi-Road and its subsidiaries (as purchasers) entered into a master supply agreement (the "**Master Supply Agreement**") in order to govern the sale of sucrose esters (蔗糖酯), vanillin (香

CONNECTED TRANSACTIONS

蘭素) and other food ingredients and additives by our Group upon the Listing. Pursuant to the Master Supply Agreement, the sellers may sell sucrose esters (蔗糖酯), vanillin (香蘭素) and other food ingredients and additives to the purchasers. The selling price, payment time and method, and other specific terms or conditions (if any) shall be fixed by relevant parties in the purchase order on a case-by-case basis. The term of the Master Supply Agreement commenced on 1 January 2018 and shall expire on 31 December 2018.

The reasons for fixing the contract period of the Master Supply Agreement for one year are set out in the sub-section headed “(1) Master Purchase Agreements with Hi-Road and Teaheals (the “Master Purchase Agreements”) — (ii) Master Purchase Agreement with Teaheals” in this section.

Pricing Policy of the Master Supply Agreement

The selling prices of the food ingredients and additives under the Master Supply Agreement are calculated with reference to the prevailing market prices of the same or comparable kind of food ingredients and additives, or the price to be agreed between the parties after having considered the market price. The market price under the Master Supply Agreement shall be determined with reference to (i) the prevailing market price of same or similar food ingredients and additives obtained from third-party suppliers in the same or neighbourhood regions based on normal commercial terms and in the ordinary and usual course of business; (ii) if (i) is not applicable, the selling prices of same or similar food ingredients and additives obtained from third-party suppliers in the PRC based on normal commercial terms and in the ordinary and usual course of business; or (iii) if both (i) and (ii) are not available, the selling prices of the same food ingredients and additives offered by the sellers to its third-party customers based on normal commercial terms and in the ordinary and usual course of business.

Reasons for entering into the Master Supply Agreement

The food ingredients and additives to be supplied by our Group under the Master Supply Agreement are mainly sucrose esters (蔗糖酯) and vanillin (香蘭素) which would be used by Hi-Road and Hi-morse Food in their manufacturing process as a raw material. Since supply of food ingredients and additives is in the ordinary and usual course of business of our Group, the transactions under the Master Supply Agreement will help to ensure a steady income of our Group. The Directors consider that transactions contemplated under the Master Supply Agreement are fair and reasonable, on normal commercial terms and in the interest of our Company and the Shareholders as a whole.

CONNECTED TRANSACTIONS

Historical Amounts

The historical transaction amounts for supply of food ingredients and additives by our Group to Hi-Road and its subsidiaries during the Track Record Period are as follows:

	For the year ended 31 December		
	2015	2016	2017
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Supply to Hi-Road and its subsidiaries	<u>8,241</u>	<u>5,084</u>	<u>7,592</u>

Proposed annual caps and basis of caps

The proposed annual cap of the Master Supply Agreement for the year ending 31 December 2018 is as follows:

	For the year ending
	31 December 2018
	<i>(RMB'000)</i>
Master Supply Agreement	<u>9,100</u>

In arriving at the annual cap of the Master Supply Agreement, the Directors had considered (i) historical sale amounts; and (ii) the expected demand of food ingredients and additives from Hi-Road and Hi-morse Food. Our sales to Hi-Road and its subsidiaries increased by 49.3%, from RMB5.1 million for the year ended 31 December 2016 to RMB7.6 million for the year ended 31 December 2017. The food ingredients and additives to be supplied by our Group to Hi-Road mainly include sucrose esters (蔗糖酯) and vanillin (香蘭素), which is primarily used for Hi-Road manufacturing of non-dairy whipping cream and flavouring.

The annual cap under the Master Supply Agreement is determined by our Company after arm's length negotiation with Hi-Road. The annual cap is higher than the historical sales amounts based on the above increasing trend and that, based on discussion between our Group and Hi-Road, Hi-Road expected its demand for sucrose esters will increase by over 20% in year ending 31 December 2018 following the growth and expansion of Hi-Road. In addition, according to the F&S Report, with the growing awareness towards health among Chinese consumers, the market demand for sucrose ester in China is expected to rise in the next few years.

CONNECTED TRANSACTIONS

At the same time, our Group is continuously diversifying product portfolio, hence it is expected that our sales and procurement will continue to diversify. Accordingly, our Directors consider that an annual cap for the supplies to Hi-Road and its subsidiaries at RMB9.1 million for the year ending 31 December 2018 (which represented an increase of 19.9% as compared with the supplies in 2017) is in line with the trend as discussed above coupled with our strategies of diversification.

Listing Rules Implications

Since one or more of the applicable percentage ratios (other than the profit ratio) for the Master Supply Agreement, in aggregate, is more than 0.1% but less than 5%, the Master Supply Agreement will be subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon the Listing.

APPLICATION FOR WAIVER

We have applied for, and the Stock Exchange has granted us, waivers from strict pursuant to Rule 14A.105 of the Listing Rules to exempt the transactions contemplated under the Master Purchase Agreements and Master Supply Agreement from strict compliance with the announcement and/or the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Apart from the waiver which has been granted by the Stock Exchange, our Company will comply with the provisions under Chapter 14A of the Listing Rules governing continuing connected transactions and the proposed annual caps from time to time as required.

CONFIRMATION FROM THE DIRECTORS

Our Directors (including all independent non-executive Directors) are of the view that the non-exempt continuing connected transactions as set out above have been and will be entered into in the ordinary and usual course of our business on normal commercial terms, and the terms of the agreements under each of the non-exempt continuing connected transactions are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and that the proposed annual caps for each of the non-exempt continuing connected transaction are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that the non-exempt continuing connected transactions as set out above will be entered into in the ordinary and usual course of our business on normal commercial terms, and the terms of the agreements under each of the non-exempt continuing connected transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and that the proposed annual caps for each of the non-exempt continuing connected transaction are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the Capitalisation Issue and the Share Offer, Shineroad Group will directly hold 510,000,000 Shares, representing 75.0% of the enlarged issued share capital of our Company (without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme). Shineroad Group is a wholly-owned subsidiary of Ocean Town, whose entire issued share capital is held by Mr. Huang (the Chairman and an executive Director). Accordingly, Mr. Huang, Ocean Town and Shineroad Group will become our Controlling Shareholders under the Listing Rules.

EXCLUDED BUSINESSES

Businesses of our Group and our Controlling Shareholders

We are a distributor in the food ingredients industry with a focus on supplying food ingredients and food additives to food manufacturers in the PRC.

Ocean Town and Shineroad Group are investment holding companies which only hold equity interest in our Company. Apart from his interests in our Company, Mr. Huang also owns majority equity interests in the following companies (together with their subsidiaries) (the “**Excluded Companies**”) which have business operations related to the food industry as at the Latest Practicable Date:

- (i) Hi-Road, a company established in the PRC which is beneficially owned as to approximately 57.6% by Mr. Huang;
- (ii) Teaheals, a company established in the PRC which is beneficially wholly-owned by Mr. Huang; and
- (iii) U Foods, a company incorporated in India which is beneficially owned as to approximately 99.9% by Mr. Huang.

Reasons for exclusion

As at the Latest Practicable Date, Mr. Huang confirmed that he has no current plan to inject the Excluded Companies into our Group as the principal businesses of the Excluded Companies (the “**Excluded Businesses**”) are different from our principal business in terms of their business nature, products or service provided and the target customers according to reasons discussed below.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Delineation between the Excluded Businesses and our businesses

The Excluded Companies do not engage in our principal business, and our Directors are of the view that there is a clear delineation between the Excluded Businesses and those of our Group, as a result of which none of the Excluded Businesses would compete, or is expected to compete, directly or indirectly, with our principal business. The difference between our principal business and the Excluded Businesses are as follows:

	Principal business nature	Principal products or services	Target customers
Our Group	<p>Our Group is a distributor in the food ingredients and additives distribution industry with a focus on supplying food ingredients and food additives to food manufacturers in the PRC.</p> <p>Our Group only sources food ingredients and food additives from our suppliers and does not involve in production of the products we distributed.</p>	<p>Our Group mainly distributes a wide scope of (i) food ingredients; (ii) food additives; and (iii) packaging materials, and provides after-sales services to our customers. For details, please refer to the section headed “Business — Products” in this prospectus.</p>	<p>Our core customers include a wide spectrum of manufacturers and trading companies in the PRC. For details, please refer to the section headed “Business — Customers” in this prospectus.</p>
Hi-Road	<p>Research and development, production in its production base and sales of its own brand’s products which are mainly used by bakery chain enterprises for making bakery food.</p>	<p>Materials used for surface decoration for making bakery food and cake, which primarily include non-dairy whipping cream (for decoration on the surface or as stuffing), jam (for decoration on the surface or as stuffing), chocolate (for decoration on the surface or as stuffing), flavourings. For details of products sold by both of our Group and Hi-Road, please refer to the sub-section headed “Delineation of products — Flavourings and chocolate” in this section.</p>	<p>Bakery chain enterprises in the PRC, India and other overseas countries.</p>

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

	Principal business nature	Principal products or services	Target customers
Teaheals	Research and development, production in its production base and sales of its own brand's powder products which are mainly used for canned or bottled drinks and health products.	Tea products (primarily tea powder), solid beverage (primarily herbal powder), and dried fruits (primarily fruit powder), etc.	Manufacturers of canned or bottled drinks and health products. In particular, tea powder and herbal powder are dissolved in the drink products in liquid form.
U Foods	Production in its production base of jelly and sale of such products to end customers through shopping malls and super market.	Jelly, etc	Retail sellers of jelly which are not located in the PRC

Difference in terms of business model

As set out above, our Group is engaged in distribution business, and does not involve in any production activities, while the Excluded Businesses are engaged in production activities with their own production base, in the PRC and overseas.

In addition, Hi-Road and Teaheals primarily sell products of their own brands, while our Group does not have any owned brand and we would cooperate with brand owners and manufacturers to distribute products of their brands. Accordingly, there is a clear difference in terms of our business models.

Delineation of products

As set out above, the food ingredients and food additives distributed by our Group are primarily used by our customers for confectionary products, dairy products, bakery products, beverages and food ingredients and additives production and trading. For details, please refer to the section headed "Business — Customers" in this prospectus. During the Track Record Period, we only sold a relatively small amount of flavourings, chocolate and tea powder, herbal powder and fruit powder products, which accounted for 3.7%, 4.1% and 6.1% of our revenue for the three years ended 31 December 2017. Such sales only accounted for a relatively small portion of our revenue and was not our principal products.

Flavourings and chocolate

For the three years ended 31 December 2017, flavourings and chocolate accounted for 1.1%, 1.2% and 1.6% of our revenue for the respective period. Some of them are products procured from Hi-Road and its subsidiaries, accounted for 0.8%, 0.6% and 0.4% of our revenue for the three years ended 31 December 2017. Such products primarily include: flavourings for bakery products and confectionary products and chocolate for bakery products.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

During the Track Record Period, we did not enter into any distributorship agreement with Hi-Road or any other manufacturers for flavourings or chocolate, because flavourings and chocolate are not our principal products and we do not conduct any marketing on them. As a distributor for a wide spectrum of products and a supplier of a number of customers for a long period of time, our customers may occasionally request our Group to assist them to source a small volume of different types of products for their ad hoc needs even our Group are not marketing such products. In order to maintain good business relationship, we will try to meet our customers' needs by sourcing such products based on their instructions on their behalf. This is the primary reason why we incurred sales of flavourings and chocolate during the Track Record Period. Accordingly, our Group is of the view that we do not have competition with Hi-Road for such products.

Tea powder, herbal powder and fruit powder products

For the three years ended 31 December 2017, sales of tea powder, herbal powder and fruit powder products accounted for 2.6%, 3.0% and 4.5% of our revenue for the respective period. Such products primarily include powder products produced by extracting the content from tea leaves, herbs and dried fruits, condensing the extract and then dehydrating such concentrated extract into soluble powder form. The powder products may be dissolved in canned or bottled drinks or used in the production of other products in powder form. All of them are products procured from Teaheals, hence there is no competition with our other products.

Jelly

Our Group did not incur any revenue for sale of jelly during the Track Record Period, hence there is no competition with the business of U Foods.

Based on the above, it demonstrated a clear delineation of our principal business and the Excluded Businesses in terms of product categories.

Delineation of target customers

For the three years ended 31 December 2017, sale to overlapping customers of our Group and the Excluded Businesses only accounted for 2.6%, 3.8% and 2.5% of our revenue for the three years ended 31 December 2017, which were primarily customers of Hi-Road and Teaheals. Although there was a small amount of sales to these overlapping customers occasionally, in general the products sold by us and the Excluded Businesses were different types of products used by different production units and functions of such overlapping customers for different purposes, and in general our Group and the Excluded Businesses did not sell the same type of products to such overlapping customers during the Track Record Period. During the Track Record Period, the Excluded Businesses occasionally incurred a small amount of sales of products procured from our Group to their customers based on their specific requests on an ad hoc basis. Since 2017, the Excluded Businesses would not resell any products sold by our Group to any third party. Accordingly, our Directors are of the view that existence of such sales to overlapping customers do not represent a competition between our Group and the Excluded Businesses.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As to U Foods, their customers are outside the PRC hence there is a clear delineation with our target customers.

Accordingly, our Group is of the view that there is a delineation of target customers between our Group and the Excluded Businesses.

Based on the above, in particular, considering the differences in business model, product categories, target customers between our Group and the Excluded Businesses, our Group are of the view that there is a proper delineation between the business of our Group and that of the Excluded Businesses, as a result of which, we believe that there is no competition between the Excluded Businesses and the principal business of our Group. As such, we are of the view that the Controlling Shareholder(s) do not have an interest in a business apart from the business of our Group which competes or is likely to compete, directly or indirectly, with the principal business of our Group.

RULE 8.10 OF THE LISTING RULES

Save as disclosed above, none of our Controlling Shareholders or Director (excluding independent non-executive Directors) or their respective close associates is interested in any business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

To ensure that competition will not exist in the future, our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses. For details of the Deed of Non-competition, please refer to the section headed "Deed of Non-competition" in this section.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on its businesses independently of, and does not place undue reliance on, our Controlling Shareholders, their respective close associates or any other parties, taking into account the following factors:

(i) Financial independence

During the Track Record Period, our Group had received loans from Mr. HB Huang and Ms. XD Huang and guarantees from Mr. Huang, Ms. XR Huang and Shanghai Industries. All loans, advances and balances due from our Controlling Shareholders and their respective close associates and all loans, advances and balances due to our Controlling Shareholders were fully settled upon Listing. All share pledges and guarantees provided by our Controlling Shareholders and their respective close associates on our Group's borrowing were released in March 2018.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Having taking into account (i) the release of the above guarantees for the loans and the facilities (before Listing); (ii) the present financial status (including the cash flow and available facilities) of our Group; (iii) the utilisation rate of the facilities secured by such guarantees by our Group, the Directors are of the view that our Group has sufficient capital to operate our business independently, and has adequate internal resources and a strong credit profile to support our daily operations.

Our Group has an independent financial system and makes financial decisions according to our own business needs. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and independent access to third-party financing to support its daily operations.

(ii) Operational independence

Our Group has established our own organisational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as marketing, sales and general administration resources with our Controlling Shareholders and/or their associates.

Although our Group has entered into certain transactions with our Controlling Shareholder which are expected to continue upon Listing, such transactions will be entered into on normal commercial terms and in the ordinary course of business of our Company. The details of the continuing connected transactions that will continue after Listing are set out in the section headed “Connected Transactions” in this prospectus.

(iii) Independence of management

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business. The main function of the Board includes the approval of our overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. We have an independent management team, which is led by a team of senior management with substantial experience and expertise in our business, to implement our Group’s policies and strategies.

Our Board consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Huang is the sole director of each of Ocean Town and Shineroad Group, both being our Controlling Shareholders. Save for Mr. Huang, no other Directors nor members of senior management of our Group hold any directorship or position in Ocean Town or Shineroad Group. Mr. Huang is also the chairman of the board of directors of Hi-Road. Mr. HB Huang, a brother of Mr. Huang, is a staff of our Group and also a general manager of a subsidiary of Teaheals.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Directors believe that our Group will be able to operate independently of its Controlling Shareholders for the following reasons:

- (a) with three independent non-executive Directors out of a board size of six, our Directors believe that there is a strong element on our Board which can effectively exercise independent judgment in order to address any situations of conflict of interest and to protect the interests of the independent Shareholders;
- (b) each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist;
- (c) 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 close associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transactions and shall not be counted in the quorum.

DEED OF NON-COMPETITION

In order to avoid any possible future competition between our Group and our Controlling Shareholders, each of Mr. Huang, Ocean Town and Shineroad Group (collectively, the “Covenantors”) executed the Deed of Non-competition on 31 May 2018 in favour of our Company (for itself and for the benefit of each other member of our Group). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and for the benefit of each other member of our Group) that save and except as disclosed in this prospectus, during the term of the Deed of Non-competition, he/it shall not, and shall procure his/its close associates (other than the members of our Group) not to, directly or indirectly engage, participate, invest or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group or any business activity to be conducted by any member of our Group in the future from time to time within the PRC, Hong Kong and such other parts of the world (excluding the Excluded Businesses), save for the holding of not more than 5% shareholding interests (individually or with his/its close associates) in any company listed on the Stock Exchange or a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with her/his/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with his/its close associates).

When business opportunities which may compete with the business of our Group arise, the respective Covenantor(s) shall, and shall procure their respective close associates (other than the members of our Group) to, give our Company notice in writing and we shall have a right of first refusal to take up such business opportunities. We shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such

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proposed transactions). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal. Within 30 days (or such longer period if our Group is required to complete any approved procedures as set out under the Listing Rules from time to time) after receipt of the written notice concerning offer of such business opportunities from the Covenantor(s) or his/its close associate(s), we shall notify the Covenantor(s) whether we intend to accept the offer. If we decline any such offer or fail to respond with specified period, the Covenantor(s) and/or his/its close associate(s) shall then be allowed to acquire the business opportunities offered on terms no more favourable than those offered to us.

The Deed of Non-competition is conditional upon the fulfilment of the following conditions:

- (i) the Listing Committee granting the approval for the listing of, and permission to deal in, our Shares on the Stock Exchange; and
- (ii) the fulfilment of the conditions precedent under the Underwriting Agreements (including waiver of any conditions precedent by the Underwriters, if applicable) and the Underwriting Agreements not being terminated.

If any of such conditions is not fulfilled on or before the date agreed between the Underwriters and our Company or the Underwriters and our Company have agreed to terminate the Underwriting Agreements thereafter, the Deed of Non-competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate when (i) a Covenantor whether individually or taken together with his or its close associates, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) our Shares shall cease to be listed and traded on the Stock Exchange for any reason (except for temporary suspension of trading of our Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

Each of the Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in the best interests of our Company and its Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) the Covenantors will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;

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- (ii) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our Group's interest;
- (iii) the Board is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board which can effectively exercise independent judgment. Our Company has appointed three independent non-executive Directors. Our Directors believe that the independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of the independent non-executive Directors are set out in the section headed "Directors and Senior Management" in this prospectus;
- (iv) our Company has appointed Cinda International Capital Limited as the compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and internal controls;
- (v) the Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (vi) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (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 following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us 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 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:

LONG POSITION IN THE SHARES

Name	Capacity/ nature of interest	Number of Shares held/ interested in as at the date of this prospectus	Percentage of shareholding as at the date of this prospectus	Number of Shares held/ interested in after completion of the Capitalisation Issue and Share Offer	Percentage of shareholding after completion of the Capitalisation Issue and the Share Offer
Mr. Huang (1)	Interest in controlled corporation	2,000	100.0%	510,000,000	75.0%
Ocean Town (1)	Interest in controlled corporation	2,000	100.0%	510,000,000	75.0%
Shineroad Group (1)	Beneficial Owner	2,000	100.0%	510,000,000	75.0%
Ms. Chen (2)	Interest of spouse	2,000	100.0%	510,000,000	75.0%

Notes:

- Shineroad Group is wholly-owned by Ocean Town, which is in turn wholly-owned by Mr. Huang. As a result, each of Mr. Huang and Ocean Town is deemed to be interested in 510,000,000 Shares held by Shineroad Group.
- Ms. Chen is the spouse of Mr. Huang and is deemed to be interested in 510,000,000 Shares.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (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), have interests or short positions in the Shares or underlying Shares which would be required 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

DIRECTORS AND SENIOR MANAGEMENT

The Board currently consists of six Directors comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business.

DIRECTORS

The following table sets out the information regarding our Directors:

Name	Age	Present Position	Date of joining our Group	Date of first appointment as a Director	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Mr. Huang Haixiao (黃海曉)	47	Chairman and executive Director	29 January 1996	26 November 2015	Overall management, strategic and major decisions on the development and planning and operation of our Group	Father of Ms. Huang Xin Rong
Mr. Li Junkui (李俊奎)	39	Executive Director and Chief Executive Officer	8 May 2000	30 October 2017	Overall management and daily operation of our Group	Nil
Ms. Huang Xin Rong (黃欣融)	24	Non-executive Director	1 February 2017	30 October 2017	Provision of advice and judgement to our Board and participating in decision-making in respect of major matters	Daughter of Mr. Huang Haixiao
Mr. Tan Wee Seng (陳偉成)	62	Independent non-executive Director	31 May 2018	31 May 2018	Supervising and providing independent advice on the operation and management of our Group	Nil
Mr. Chan Ka Kit (陳家傑)	43	Independent non-executive Director	31 May 2018	31 May 2018	Supervising and providing independent advice on the operation and management of our Group	Nil
Mr. Meng Yuecheng (孟岳成)	54	Independent non-executive Director	31 May 2018	31 May 2018	Supervising and providing independent advice on the operation and management of our Group	Nil

Executive Directors

Mr. Huang Haixiao (黃海曉) (“Mr. Huang”), aged 47, is the founder of our Group, our executive Director and the Chairman and one of our Controlling Shareholders. He was appointed as a Director on 26 November 2015, and redesignated as the Chairman and an executive Director on 30 October 2017. He is responsible for the overall management, strategic and major decisions on

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the development and planning and operation of our Group. Mr. Huang is a director of each of Shineroad Holdings, Shineroad Food, Shanghai Shineroad, Beijing Shineroad and Guangzhou Jieyang. Mr. Huang is also the chairman of the Nomination Committee.

Mr. Huang obtained the diploma with the major in food science and engineering (baking) professional education from Jiangnan University* (江南大學), the PRC in February 2006 and the master degree in executive business administration from Fudan University* (復旦大學), the PRC in January 2011.

Mr. Huang has more than 24 years' experience in management of food ingredients and additives companies. Mr. Huang started up his own businesses in food ingredients and additives since 1993 where he was primarily in charge of the general operations of the businesses of the companies which allowed him to input his experience into our Group. He founded Shineroad Industries, which was then principally engaged in distribution of food ingredients and food additives in the PRC, in January 1996 and acted as legal representative and director, responsible for its daily operation and management. Since the establishment of Guangzhou Jieyang in 2010, Shanghai Shineroad and Beijing Shineroad in 2011, Mr. Huang has been responsible for overseeing their overall management. Mr. Huang is one of the founder and currently the chairman of board of directors of Hi-Road.

Set out below are companies established in the PRC which were dissolved during the period when Mr. Huang was the legal representative, director and/or management:

Name of company	Nature of business before dissolution	Date of revocation of business licence/dissolution	Nature of dissolution proceeding
Suzhou Shineroad Food Co., Ltd.* (蘇州市欣融食品有限公司)	Manufacture and sales of non-dairy whipping cream	27 December 2007 (Deregistration is in process)	Revocation of business licence due to failure to renew business licence
Shanghai Forest Essence and Fragrance Co., Ltd.* (上海森林香精香料有限公司)	Wholesale and retail of flavours and fragrance, food additives, etc.	10 January 2003 (Deregistration was completed on 12 January 2017)	Revocation of business licence due to failure to renew business licence
Wenzhou Shineroad Food Additives Company* (溫州市欣融食品添加劑公司)	Wholesale of pre-packaged food: dairy products (excluding infant formula milk powder) and food additives	22 July 2015	Voluntary deregistration on closure of business
Suzhou Shineroad Flavours and Fragrance Co., Ltd.* (蘇州欣融香精香料有限公司)	Manufacture and sales of flavours, fragrance and food additives	25 December 2007 (Deregistration is in process)	Revocation of business licence due to failure to renew business licence
Hangzhou Shineroad Food Additives Co., Ltd.* (杭州欣融食品添加劑有限公司)	Wholesale and retail of food additives, cereals and oils products, etc.	30 October 2001 (Deregistration was completed on 5 September 2017)	Revocation of business licence due to failure to renew business licence

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Name of company	Nature of business before dissolution	Date of revocation of business licence/dissolution	Nature of dissolution proceeding
Shanghai Yinan Food Technology Co., Ltd. Branch* (上海億楠食品科技有限公司分公司)	Development and transfer of food technology	15 February 2009 (Deregistration was completed on 25 December 2009)	Revocation of business licence due to failure to renew business licence
Shanghai Yinan Food Technology Co., Ltd.* (上海億楠食品科技有限公司)	Development and transfer of food technology	12 March 2010	Deregistration on voluntary dissolution by resolutions of shareholders' meeting
Shanghai Shineroad Industries Development Co., Ltd. Fengxian Branch* (上海欣融實業發展有限公司奉賢分公司)	Wholesale of pre-packaged food	5 July 2011	Deregistration on being dismissed
Shanghai Shineroad Industries Development Co., Ltd. Beijing Office* (上海欣融實業發展有限公司北京辦事處)	Sales of pre-packaged food	7 July 2011	Voluntary deregistration on closure of business
Wenzhou Longwan Food Additives Operation Department* (溫州市龍灣食品添加劑經營部)	Wholesale and retail of food ingredients and additives	9 September 2005 (Deregistration was completed on 29 April 2016)	Revocation of business licence due to failure to renew business licence
Shanghai Kangkun Food Additives Co., Ltd.* (上海康昆食品配料有限公司)	Never commenced business	21 August 2013	Deregistration on voluntary dissolution by resolutions of shareholders' meeting
Shanghai Shineroad International Trade Co., Ltd.* (上海欣融國際貿易有限公司)	Import and export trading of food ingredients and additives	27 January 2010	Deregistration on voluntary dissolution by resolutions of shareholders' meeting
Weiyi Technology (Suzhou) Co., Ltd.* (威怡科技(蘇州)有限公司)	Manufacture of food additives	18 October 2017	Deregistration on voluntary dissolution by resolutions of shareholders' meeting
Shanghai Dina Keke Food Co., Ltd.* (上海蒂娜可可食品有限公司)	Sales and management of food	28 May 2010	Deregistration on voluntary dissolution by resolutions of shareholders' meeting

As confirmed by Mr. Huang, the above companies were solvent and in compliance with all relevant laws and regulations immediately before their dissolutions and so far as he was aware, the dissolutions of the above companies have not resulted in any liability or obligation being imposed against him. As confirmed by Mr. Huang, the above companies whose business licences had been revoked had no actual business operations at the material time and were at a non-operation status. Mr. Huang was not involved in the annual inspection procedures of these companies. The failure of these companies to go through the formality of annual inspection were due to the negligence of the then designated staff of these relevant companies, and was not due to any default on the part of Mr.

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Huang. As advised by our PRC Legal Advisers, the revocation of business licences of such companies would not adversely affect the legality and validity of Mr. Huang's directorship and his positions in our Group.

Mr. Li Junkui (李俊奎) ("Mr. Li"), aged 39, is our executive Director and Chief Executive Officer. He was appointed as an executive Director on 30 October 2017. He is primarily responsible for the overall management and daily operation of our Group. Mr. Li is a director of Shanghai Shineroad. Mr. Li obtained a bachelor degree in food science and engineering from Wuxi University of Light Industry* (無錫輕工大學) (currently known as Jiangnan University* (江南大學)), the PRC in June 1999, and a master degree in business administration from Fudan University* (復旦大學), the PRC in January 2014.

Mr. Li has 17 years of experience in the food ingredients and additives industry. He joined our Group as sales manager in May 2000, mainly responsible for the daily operation and management of Shanghai Shineroad.

Ms. Huang Xin Rong (黃欣融) ("Ms. Huang"), aged 24, was appointed as a non-executive Director on 30 October 2017. She is primarily responsible for provision of advice and judgement to our Board and participating in decision-making in respect of major matters. She is the daughter of Mr. Huang, who is the founder of our Group, our executive Director and the Chairman, and one of our Controlling Shareholders.

Ms. Huang obtained the degree of honours bachelor of science from the University of Toronto, Canada in November 2016. She worked as an intern in Shanghai Shineroad from February 2017 to September 2017 and has become the general manager of Shineroad Food since September 2017.

Independent Non-executive Directors

Mr. Tan Wee Seng (陳偉成) ("Mr. Tan"), aged 62, was appointed as an independent non-executive Director on 31 May 2018. He is responsible for supervising and providing independent advice on the operation and management of our Group. He is also the chairman of each of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee.

Mr. Tan is a fellow of The Chartered Institute of Management Accountants in United Kingdom and of The Hong Kong Institute of Directors.

Mr. Tan has over 30 years of experience in financial management, corporate finance, merger and acquisition, business management and strategy development and specialising in initial public offerings management, investors relationship management and corporate governance. Mr. Tan has held various management and senior management positions in a number of multi-national corporations. He was previously the managing director of AFE Computer Services Limited, a Reuters subsidiary located in Hong Kong which was mainly engaged in domestic equity and financial information services, director of Infocast Australia Pty Limited, a Reuters subsidiary in Australia, and the regional finance manager of Reuters East Asia Region. From January 1999 to June 2002, Mr. Tan was the senior vice president of Reuters for China, Mongolia and North Korea

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regions, and the chief representative of Reuters in China. From January 2003 to November 2008, Mr. Tan was an executive director, chief financial officer and company secretary of Li Ning Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2331).

Mr. Tan is an independent non-executive director and the chairman of remuneration committee of Health and Happiness (H&H) International Holdings Limited (formerly known as Biostime International Holdings Limited) (Stock Code: 1112), and an independent non-executive director and the chairman of audit committee of each of Xtep International Holdings Limited (Stock Code: 1368), Sa Sa International Holdings Limited (Stock Code: 178), CIFI Holdings (Group) Co. Limited (Stock Code: 884) and Sinopharm Group Co. Limited (Stock Code: 1099), the shares of all of which are listed on the Main Board of the Stock Exchange. He is also an independent director and, with effect from 8 March 2016, chairman of the audit committee of Renesola Ltd (Stock Code: SOL), the shares of which are listed on the New York Stock Exchange (the “NYSE”). Mr. Tan was an independent director and chairman of the audit committee of 7 Days Group Holdings Limited (which was listed on the NYSE) between November 2009 and July 2013 until it was privatised. He was the chairman of the special committee for the privatisation of 7 Days Group Holdings Limited from October 2012 to July 2013.

The Sole Sponsor and the Board has considered Mr. Tan’s concurrent service as an independent non-executive director of six other listed companies and is satisfied with Mr. Tan’s time commitments to the affairs of our Company having regard to all relevant factors including:

- (a) based on the published annual reports for the Track Record Period of the listed companies listed in Hong Kong that he has directorships as at the Latest Practicable Date and the confirmation from Mr. Tan, he has attended substantially all the board meetings of the above listed companies during the Track Record Period;
- (b) Mr. Tan has sufficient knowledge and experience in discharging the directors’ duties through his past working experience and his services as an independent non-executive director in different listed companies. He has sufficient understanding in his role as the independent non-executive director or independent director of these companies and in estimating the time required for attending to the affairs of each listed company;
- (c) among the six other listed companies where Mr. Tan currently serves as an independent non-executive director or independent director, he has held directorship in five of them for over five years. Mr. Tan has confirmed that he has not found any difficulty in devoting and managing his time to the numerous listed companies that he is involved in and none of the listed companies that he has directorship has questioned or complained about his time devoted to the listed companies;
- (d) Mr. Tan has confirmed and undertaken to our Company that he has the capability and committed to devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director of our Group, taking into account his experience in

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acting as independent non-executive director of a number of listed companies and the time he is required to devote to each of these listed companies. In addition, Mr. Tan is not engaged in any full time employment; and

- (e) In addition, pursuant to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Board (and the Nomination Committee) will (i) regularly review whether each of the Directors is devoting sufficient time and attention to the affairs of our Group including but not limited to the review of the attendance record of the Board meetings or Board committee meetings. Should there be concerns on the time commitments by the relevant Director(s) to our Group, the Board (and the Nomination Committee) may request the relevant Director(s) to provide an update to the Board in relation to any changes to his significant commitments; and (ii) at the time when it proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, set out the reasons in the circular to our Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why the Board believes such individual should be elected, the reasons why such individual is considered to be independent by the Board and, if required under the Corporate Governance Code, explain why such individual would still be able to devote sufficient time to the Board.

Mr. Tan was a director of Volar Limited which was a private company incorporated in Hong Kong. The application for deregistration was filed on 6 March 2017 and Volar Limited was dissolved on deregistration on 21 July 2017 pursuant to Section 751 of the Companies Ordinance. Prior to being dissolved by deregistration, Volar Limited was a property holding company. Mr. Tan confirmed that Volar Limited was solvent and in compliance with all relevant laws and regulations immediately before its dissolution and so far as he was aware, the dissolution had not resulted in any liability or obligation imposed against him.

Mr. Chan Ka Kit (陳家傑) (“Mr. Chan”), aged 43, was appointed as an independent non-executive Director on 31 May 2018. He is responsible for supervising and providing independent advice on the operation and management of our Group. He is also a member of each of the Audit Committee and the Remuneration Committee.

Mr. Chan obtained his bachelor degree in accountancy from the City University of Hong Kong in November 1997. He has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since October 2005 and a member of Taxation Institute of Hong Kong since February 2015.

Mr. Chan has over 17 years of experience in handling various projects with companies in Hong Kong and the PRC, including accounting and taxation as well as setting up and modifying internal control system of group companies. He previously worked as an auditor in Deloitte Touche Tohmatsu from September 1997 to September 2004. Mr. Chan was the chief financial officer and company secretary of Sparkle Roll Group Limited (Stock code: 970) from January 2008 to August 2010, the chief financial officer of North Asia Resources Holdings Limited (now known as Green Leader Holdings Group Limited) (Stock code: 61) from August 2010 to March 2011 and the chief

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financial officer and company secretary of Lijun International Pharmaceutical (Holding) Co., Limited (now known as SSY Group Limited) (Stock code: 2005) from May 2013 to April 2015, all of whose shares are listed on the Main Board of the Stock Exchange. Mr. Chan was the independent non-executive director of Roma Group Limited (Stock code: 8072) from September 2011 to March 2016, the shares of which are listed on the GEM of the Stock Exchange. Since November 2008, he has been the director of Smartact (Hong Kong) Limited (智謀(香港)有限公司), the principal activities of which are handling the taxation matters, companies daily operations, financial management and internal control management for enterprises in Hong Kong and the PRC.

Mr. Meng Yuecheng (孟岳成) (“Mr. Meng”), aged 54, was appointed as an independent non-executive Director on 31 May 2018. He is responsible for supervising and providing independent advice on the operation and management of our Group. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Meng obtained a degree of bachelor (major in animal husbandry) from Zhejiang A&F University* (浙江農業大學), the PRC in July 1984 and a degree of master (major in livestock processing) from Northeast Agricultural University* (東北農業大學), the PRC in July 1987. He also obtained a doctoral degree in science (major in food science) from Northeast Agricultural University, the PRC in December 1999.

Mr. Meng has over 30 years of experience in food science field. After graduation with the master degree from the Northeast Agricultural University, Mr. Meng had worked as teaching assistant, lecture and associate professor and studied as a doctoral student in the Food Science Faculty of the Northeast Agricultural University from August 1987 to June 1995. From July 1995 to July 2002, he worked as the director of the research centre, director of the products control department and an assistant general manager of Hangzhou Wahaha Group Corporation* (杭州娃哈哈集團公司), a corporation principally engaged in research and development, manufacturing and sales of food and beverage. Mr. Meng was the director of the Food Research Institute of Zhejiang University of Technology* (浙江工業大學), the PRC from August 2002 to February 2004 and has been the director of the Food Science and Engineering Faculty and a tutor of doctoral students in Zhejiang Gongshang University* (浙江工商大學), the PRC since March 2004.

Mr. Meng was a legal representative of Hangzhou Jianneng Bio-Tech Co., Ltd* (杭州健能生物技術有限公司) (“Hangzhou Jianneng”), a company established in the PRC, the principal business activity of which was the application of food additives gellan gum. The business licence of Hangzhou Jianneng was deregistered in October 2012 due to closure of business on the decision of management. As confirmed by Mr. Meng, Hangzhou Jianneng was solvent and in compliance with all relevant laws and regulations immediately before its deregistration and so far as he was aware, the deregistration of Hangzhou Jianneng has not resulted in any liability or obligation being imposed against him.

Save as disclosed above, none of our Directors has any other directorships in listed companies during the three years immediately prior to the date of this prospectus.

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Save as disclosed in this prospectus, there is no information of each of the Directors which needs to be disclosed pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters that need to be brought to the attention of the Shareholders under Rule 13.51(2) of the Listing Rules in connection with his/her appointment as a Director.

SENIOR MANAGEMENT

The following table sets out the information regarding our senior management:

Name	Age	Present Position	Date of joining our Group	Date of appointment for the present position	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Wang Jingui (王金貴)	46	Chief financial officer	3 March 2014	3 March 2014	Responsible for the formulation of the financial strategies and management and internal control, and implementation of the corporate financial plan of the PRC subsidiaries of our Group	Nil
Fan Wei (范薇)	46	Deputy general manager	8 July 2005	1 January 2013	Responsible for the operation and management of Beijing Shineroad and the product management centre and technology centre of our Group	Nil
Qin Wenzhong (秦聞中)	45	Financial controller and company secretary	1 May 2018	1 May 2018	Responsible for supervising the financial management of our Company and the overall company secretarial matters of our Group	Nil

Mr. Wang Jingui (王金貴) (“Mr. Wang”), aged 46, has been the chief financial officer of Shanghai Shineroad since 3 March 2014. He is primarily responsible for the formulation of the financial strategies and management and internal control, and implementation of the corporate financial plan of the PRC subsidiaries of our Group. Mr. Wang was an accountant certified by the Ministry of Finance of the PRC in May 1998. He obtained a bachelor degree (part-time) in accountancy from Adult Education School of Shanghai Jiao Tong University* (上海交通大學), the PRC in February 2010.

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Mr. Wang previously worked as chief financial officer of Shanghai Qiangjing Industry Development Investment Holding Company Limited* (上海強勁產業發展投資控股有限公司) from March 2010 to February 2014 and investment consultant of Tebon Securities Company Limited* (德邦證券有限責任公司) from August 2007 to September 2009. He was financial manager of Shineroad Industries from December 1999 to July 2006.

Set out below are companies established in the PRC which were dissolved during the period when Mr. Wang was the legal representative, director and/or supervisor:

Name of company	Nature of business before dissolution	Date of dissolution	Nature of dissolution proceeding
Shanghai Wenyu Investment Consulting Co., Ltd.* (上海文羽投資諮詢有限公司)	Investment consultation	28 June 2007	Deregistration on voluntary dissolution by resolutions of shareholders' meeting
Shanghai Leying Trade Co., Ltd.* (上海樂英貿易有限公司)	Wholesale of food and food additives	13 June 2003	Deregistration on voluntary dissolution by resolutions of shareholders' meeting

As confirmed by Mr. Wang, the above companies were solvent and in compliance with all relevant laws and regulations immediately before their dissolutions and so far as he was aware, the dissolutions of the above companies have not resulted in any liability or obligation being imposed against him.

Ms. Fan Wei (范薇) (“Ms. Fan”), aged 46, has been the deputy general manager of our Group since January 2013. She is primarily responsible for the operation and management of Beijing Shineroad and the product management centre and technology centre of our Group. Ms. Fan obtained a bachelor degree in food science and engineering from Northeast Agricultural University* (東北農業大學), the PRC in July 1996 and completed the post-graduate course in business administration in Beijing Technology and Business University* (北京工商大學), the PRC in June 2003.

Ms. Fan joined our Group in July 2005 and had successively worked as the responsible personnel in Beijing office of Shineroad Industries, the deputy general manager of Shanghai Shineroad and general manager of Beijing Shineroad.

Mr. Qin Wenzhong (秦聞中) (“Mr. Qin”), aged 45, joined our Company as the financial controller and company secretary on 1 May 2018, responsible for supervising the financial management of our Company and the overall company secretarial matters of our Company.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Qin obtained a bachelor of management degree major in accounting from Shanghai University of Finance and Economics, the PRC in June 2001. He is a member of the Association of Chartered Certified Accountants since July 2009, a non-practising member of the Shanghai Institute of Certified Public Accountants since December 2009; a member of the Washington State Board of Accountancy since August 2013; and a member of the Hong Kong Institute of Certified Public Accountants since March 2018.

Mr. Qin has around 24 years of accounting and finance experience. From July 1994 to June 1999, he worked for Ernst & Young as a senior staff. After that, he had worked at senior management level in a number of sizeable private enterprises. He worked as the financial manager in a subsidiary of Actuant (China) Co., Ltd. and was promoted to the financial manager of Actuant (China) Co., Ltd. during the period from April 2002 to January 2006; and worked as the financial manager from February 2006 to January 2007 in Federal Signal (Shanghai) Co., Ltd., the chief financial officer from February 2007 to August 2009 in Dina Clothing Accessories (Hong Kong) Limited, the group financial controller from August 2011 to June 2016 in Sichuan Bohong Group*, the vice general manager of the financial and accounting department from July 2016 to August 2017 in Shanghai Xinsheng Semiconductor Technology Co., Ltd.* and the finance director from January 2018 to April 2018 in Shineroad Industries.

To the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, save as disclosed above, none of the above members of senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Mr. Qin Wenzhong was appointed as company secretary of our Company on 1 May 2018. For details of the biography of Mr. Qin Wenzhong, please refer to the paragraph headed “Senior Management” in this section.

REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, allowances, discretionary bonuses and other benefits-in-kind, including our contribution to the pension schemes on their behalf. We determine the remuneration of our Directors and senior management with reference to their respective experience, responsibilities, individual performance, salaries paid by comparable companies and the performance of our Group.

For the three years ended 31 December 2017, the aggregate remuneration (including Director’s fee, basic salary, allowance, non-cash benefit and retirement scheme contribution) paid by our Group to the Directors, were approximately RMB129,000, RMB406,000 and RMB535,000, respectively.

DIRECTORS AND SENIOR MANAGEMENT

For the three years ended 31 December 2017, the aggregate remuneration paid by our Group to the five highest paid individuals (excluding one Director for the three years ended 31 December 2017) of our Group were approximately RMB899,000, RMB1.85 million and RMB1.72 million, respectively.

During the Track Record Period, no other payments have been paid by our Group to, or received by, our Directors or our five highest paid individuals as: (i) an inducement to join or upon joining our group or (ii) as compensation for the loss of office as a director or management of any members of our Group.

Under the arrangements presently in force, the estimated aggregate remuneration of our Directors for the year ending 31 December 2018, excluding discretionary bonus, is approximately RMB1.5 million.

None of our Directors waived any emoluments for the three years ended 31 December 2017. Save as disclosed above, no other payments have been made or are payable by any member of our Group to any of our Directors and the five highest paid individuals during the Track Record Period.

For information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please see notes 8 and 9 to our combined financial information included in the Accountants' Report set out in Appendix I to this prospectus.

SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme under which employees of our Group including executive Directors and other eligible participants may be granted options to subscribe for the Shares. Our Directors consider the Share Option Scheme will enable us to reward our employees, our Directors and other selected participants to recognise and incentivise their contributions to us. The principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information — Share Option Scheme" in Appendix IV to this prospectus.

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on 31 May 2018 with its written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise our financial reporting process and internal control and risk management system, nominate and monitor external auditors, provide advice and comments to the Board on matters related to corporate governance and perform other duties and responsibilities as assigned by the Board.

DIRECTORS AND SENIOR MANAGEMENT

The Audit Committee consists of three members, being Mr. Tan Wee Seng, Mr. Chan Ka Kit and Mr. Meng Yuecheng. Mr. Tan Wee Seng currently serves as the chairman of the Audit Committee.

Remuneration Committee

Our Company established the Remuneration Committee on 31 May 2018 with its written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are, among other things, to make recommendations to the Board on our Company's policy for human resource management as well as establish and review policies and structure in relation to remuneration for our directors and senior management.

The Remuneration Committee consists of three members, being Mr. Tan Wee Seng, Mr. Chan Ka Kit and Mr. Meng Yuecheng. Mr. Tan Wee Seng currently serves as the chairman of the Remuneration Committee.

Nomination Committee

Our Company established the Nomination Committee on 31 May 2018 with its written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are, among other things, to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The Nomination Committee consists of three members, being Mr. Huang Haixiao, Mr. Tan Wee Seng and Mr. Meng Yuecheng. Mr. Huang Haixiao currently serves as the chairman of the Nomination Committee.

CORPORATE GOVERNANCE CODE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interest of the Shareholders. To accomplish this, our Company intends to comply with the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules after Listing.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon Listing.

DIRECTORS AND SENIOR MANAGEMENT

WAIVER GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please see the section headed “Waivers from Strict Compliance with the Listing Rules — Waiver in relation to management presence in Hong Kong” of this prospectus.

COMPLIANCE ADVISER

We have agreed to appoint Cinda International to be our compliance adviser upon Listing on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. We have entered into a compliance adviser’s agreement with Cinda International prior to the Listing Date, the material terms of which are as follows:

- (i) the term of appointment of the compliance adviser will commence on the Listing Date of our Company and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;
- (ii) the compliance adviser will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advice on the continuing requirements under the Listing Rules and applicable laws and regulations;
- (iii) our Company will consult with and, if necessary, seek advice from Cinda International as our compliance adviser in the following circumstances:
 - (1) before the publication of any regulatory announcement, circular or financial report;
 - (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
 - (3) where our Company proposes to use the 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
 - (4) where the Stock Exchange makes any enquiry to our Company under Rule 13.10 of the Listing Rules.
- (iv) the compliance adviser will serve as a channel of communication with the Stock Exchange.

SHARE CAPITAL

SHARE CAPITAL

The share capital of our Company immediately following the Capitalisation Issue and the Share Offer, without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, will be as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares	<u>20,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:</i>	
	<i>HK\$</i>
2,000 Shares in issue at the date of this prospectus	20
509,998,000 Shares to be issued pursuant to the Capitalisation Issue	5,099,980
<u>170,000,000</u> Shares to be issued pursuant to the Share Offer	<u>1,700,000</u>
<u>680,000,000</u> Total	<u>6,800,000</u>

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant thereto are made as described herein. The above table takes no account of any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme; or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to our Directors to allot and issue or repurchase Shares as described below.

The minimum level of public float to be maintained by our Company after the Share Offer is 25% of the issued share capital of our Company.

RANKING

The Offer Shares will rank *pari passu* in all respects with all other existing Shares in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 31 May 2018, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 509,998,000 Shares credited as fully paid at par to the holders of the Shares on the register of members of our Company at the close of business on 31 May 2018 in proportion to their shareholdings (save that no Shareholder shall be entitled to be

SHARE CAPITAL

allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$5,099,980 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer; and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General Mandate to Repurchase Shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and General Information — Further Information about Our Company — Written resolutions of our sole Shareholder passed on 31 May 2018” set out in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be

SHARE CAPITAL

listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — Further Information about Our Company — Repurchase of our Shares by our Company" in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the expiration of the period within which the next annual general meeting is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the sections headed "Statutory and General Information — Further Information about Our Company — Written resolutions of our sole Shareholder passed on 31 May 2018" and "Statutory and General Information — Further Information about Our Company — Repurchase of our Shares by our Company" set out in Appendix IV to this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information — Share Option Scheme" set out in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETINGS ARE REQUIRED

As a matter of Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" set out in Appendix III to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Our Group's objective is to maintain our competitiveness in the food ingredients and additives distribution industry in the PRC and to expand our market shares. In order to achieve such objectives, we intend to implement our business strategies by setting up new offices in the PRC, enhancing our research and development capabilities, strengthening our purchasing power and securing more distribution rights, and participating in promotional and marketing activities. Further details of our business objectives and strategies, please refer to the paragraph headed "Business — Business strategies" in this prospectus.

REASONS FOR THE LISTING

Capture the potential growth in the PRC

According to the Frost & Sullivan Report, the market size of food ingredients distribution by revenue in the PRC has shown a steady growth from approximately RMB647.7 billion in 2012 to approximately RMB817.0 billion in 2016 at a CAGR of 6.0%. It is anticipated that the market size of food ingredients distribution by revenue in the PRC will reach RMB1,145.5 billion in 2021 at a CAGR of 6.8% from 2017 to 2021 driven by the continuous growth of population. With the increasing demand in dairy products, it will continue to drive the entire supply chain from food ingredients manufacturers, distributors to food processors. Demand for dairy product production in the PRC is supported by local government policy. According to the Frost & Sullivan Report, Circular of the People's Government of Inner Mongolia Autonomous Region on Printing and Distributing the "13th Five-Year Plan" Industrial Development Plan* (《內蒙古自治區人民政府關於印發自治區“十三五”工業發展規劃的通知》) set out the PRC government's target to transform the dairy product industry in Inner Mongolia Autonomous Region, strengthen the value and position of dairy brands and enterprises in the region. In addition, the National Dairy Industry Development Plan (2016–2020)* (《全國奶業發展規劃(2016–2020年)》) promulgated by the PRC government in 2017 also estimated that the demand for dairy products may reach 58 million tons by 2020, with a yearly growth rate of 3.1% during 2016 to 2020.

Part of our proceeds from the Share Offer will be used for expanding our network and market share in the food ingredients and additives distribution industry including the set-up of branch offices in Yunnan, Sichuan, Shaanxi, Liaoning, Shandong and Hubei provinces and Inner Mongolia Autonomous region. During the Track Record Period, majority of our revenue were generated from the peripheral areas of our existing offices such as Shanghai, Zhejiang, Guangdong, Jiangsu, Beijing and Fujian. For each of the year ended 31 December 2015, 2016 and 2017, the aggregate revenue generated from Shanghai, Zhejiang, Guangdong, Jiangsu, Beijing and Fujian were approximately RMB424.1 million, RMB450.4 million and RMB475.4 million respectively, representing approximately 93.0%, 89.8% and 90.0% of our total revenue during the same period. On the other hand, the aggregate revenue generated from Yunnan, Sichuan, Shaanxi, Liaoning, Shandong and Hubei provinces and Inner Mongolia Autonomous region amounted to approximately RMB13.7 million, RMB20.6 million and RMB19.5 million respectively, representing approximately 3.0%, 4.1% and 3.7% of our total revenue.

FUTURE PLANS AND USE OF PROCEEDS

Our Directors believe that setting up branch offices in these region will allow our Group to (i) source food ingredients from local suppliers at a relatively low transportation cost for distribution to customers near the regions; (ii) implement direct sales and marketing strategy to build up connection of local suppliers and customers for food ingredients and increase our market share in such regions; (iii) enable our Group to effectively market the products through the sales personnel stationed in these regions and reduce the response time to customers in the regions and (iv) capture the growing downstream food manufacturing market in the key regions for food ingredients and additives.

Enhance our Group's competitiveness in the food ingredients and additives distribution industry

Our long-standing reputation in the industry, well-established and stable business relationships with our major suppliers of internationally renowned brands and extensive product portfolio are crucial to our success in the food ingredients and additives distribution industry. As at the Latest Practicable Date, we had a broad product portfolio of over 1,000 food ingredients and additives sourced from around 200 suppliers around the globe and offering to a wide array of customers in the PRC. We also entered into exclusive and non-exclusive distribution agreements with certain reputable major suppliers.

Furthermore, we possess strong research and development capabilities which gives us a competitive edge in adapting quickly to changing market conditions and capturing new market opportunities. We are capable of conducting researches on the application methods of our products and improving the quality of our customers' food and beverage end products. We have sophisticated laboratory equipment where we are able to develop and introduce to our customers food and beverage formulae with enhanced features such as improved taste, texture and lengthened shelf life etc.

Going forward, we plan to continue building upon our relationships with our existing suppliers and new suppliers in the market and enriching our product portfolio by securing new distribution agreements. In this regard, our Group has entered into an exclusive distribution agreement and a non-exclusive distribution agreement with two of our existing suppliers on 1 December 2017 and 19 April 2018 respectively. We plan to apply part of our proceeds from the Share Offer in procuring the required inventories in accordance with the distribution agreements and/or the rolling forecasts jointly prepared by the suppliers and us from time to time. We also plan to apply the proceeds in expanding our technology centre by, amongst other things, acquiring new machines and upgrading existing machines.

Our Directors believe that, by establishing more supplier-distributor relationship with our internationally renowned suppliers, we will continue to benefit from the procurement of high quality food ingredients and food additives and the reliability of supply which in turn further enrich our product portfolio, appeal to our customers and act as an endorsement of our procurement capability and reputation in the industry. By enhancing our research and development capabilities, our Directors believe that it will reinforce our competitiveness in the industry and attract more new customers.

FUTURE PLANS AND USE OF PROCEEDS

Enhanced credibility and support for our long term development

The Listing will enhance our Group's credibility and support our long term development. The Listing could raise our corporate profile and accelerate our development, as our Directors believe that the food manufacturing companies as well as other potential customers will prefer to make purchases from and do business with a listed company given its greater transparency, relevant regulatory supervision and stability in general. The Listing will therefore make an effect on promoting our food ingredients and additives distribution business and providing immediate increase in awareness of our product portfolio as well as in the new markets targeted by our expansion plan, i.e. Yunnan, Sichuan, Shaanxi, Liaoning, Shandong and Hubei provinces and Inner Mongolia Autonomous region.

The enhancement to our reputation may also increase our competitiveness in the market. Our Directors consider that we will benefit from the Listing by (i) the enhanced corporate image, profile and credibility which in turn expands our clientele and increases our bargaining power in negotiating terms with customers and suppliers; (ii) the enhanced internal control and corporate governance practices which fosters customers' and suppliers' confidence in our Group; (iii) the ability to retain management and to hire suitable talents by offering competitive salary packages; and (iv) maintaining banking facilities without reliance on personal guarantees from our Directors.

Access to the capital market

We relied mainly on cash generated from our operations for funding as we have limited fixed assets to serve as collateral for debt financing. Our Directors believe that we will be provided better terms for us as a listed company, compared to a private company, by banks. In the case of future business expansion and long-term development needs and goals, the Listing will provide us with additional channels to raise funds in the form of equity and/or debt in the capital markets.

Based on the above, our Directors are of the view that the Listing and our Group's funding needs are justified and the Listing is beneficial to our development.

USE OF PROCEEDS

The net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses in connection with the Share Offer, based on the Offer Price of HK\$0.75 per Share) will be approximately HK\$93.7 million (equivalent to approximately RMB76.8 million). Our Directors intend to apply the net proceeds from the Share Offer as follows:

- (i) approximately RMB35.8 million (equivalent to approximately HK\$43.6 million), representing approximately 46.5% of the net proceeds from the Share Offer will be utilised for setting up seven branch offices at different provinces in the PRC;
 - from 1 July 2018 to 31 December 2018, our Group plans to set up our branch offices in Sichuan province and Shandong province. During the period, approximately RMB10.2 million (equivalent to approximately HK\$12.4 million) will be utilised covering, amongst others, staff cost, initial set up cost and rent;

FUTURE PLANS AND USE OF PROCEEDS

- from 1 January 2019 to 30 June 2019, our Group plans to set up our branch offices in Yunnan province and Hubei province. During the period, approximately RMB10.2 million (equivalent to approximately HK\$12.4 million) will be utilised covering, amongst others, staff cost, initial set up cost of the Yunnan and Hubei branch offices, cost for continuous retention of staff and rent for the four newly set up branch offices;
 - from 1 July 2019 to 31 December 2019, our Group plans to set up our branch offices in Liaoning province, Shaanxi province and Inner Mongolia Autonomous Region. During the period, approximately RMB15.4 million (equivalent to approximately HK\$18.8 million) will be utilised covering, amongst others, staff cost, initial set up cost of the Liaoning, Shaanxi and Inner Mongolia branch offices, cost for continuous retention of staff and rent for the seven newly set up branch offices;
- (ii) approximately RMB15.0 million (equivalent to approximately HK\$18.3 million), representing approximately 19.5% of the net proceeds from the Share Offer will be utilised for repaying the entrusted loans with an outstanding amount of RMB15 million (the effective interest rate being 5.22% per annum and will become due in April 2019 of amount RMB5 million and April 2020 of amount RMB10 million). We primarily used the proceeds of the bank loan in our operating activities including payment to our suppliers for purchasing food ingredients and additives. For more details of the bank loan, please see the paragraph headed “Financial Information — Indebtedness — Other borrowings” in this prospectus.;
- (iii) approximately RMB12.0 million (equivalent to approximately HK\$14.6 million), representing approximately 15.6% of the net proceeds from the Share Offer will be utilised after acquiring new distribution rights;
- our Group has entered into a distribution agreement with two of our existing suppliers on 1 December 2017 and 19 April 2018 respectively;
 - the net proceeds will be used to procure the required level of inventories for the distribution of the relevant products;
- (iv) approximately RMB4.1 million (equivalent to approximately HK\$5.1 million), representing approximately 5.4% of the net proceeds from the Share Offer will be utilised for expanding our technology centre;
- our Group plans to acquire 22 new machines, upgrade or maintain four existing machines, renovate our laboratory and hire five additional staff for the technology centre with the net proceeds;

FUTURE PLANS AND USE OF PROCEEDS

- from 1 July 2018 to 31 December 2018, our Group plans to hire five additional staff including senior baking technology manager, baking engineer, beverage and stuffing engineer and technician for operating the UHT machine. We plan to upgrade or maintain four existing machines including our UHT machine and homogeniser. We also plan to renovate our laboratory and acquire a new dispersion stability analyser. During the period, approximately RMB2.1 million (equivalent to approximately HK\$2.6 million) will be used;
 - from 1 January 2019 to 30 June 2019, our Group plans to acquire 21 new machines and continue to retain the five staff for the technology centre. During the period, approximately RMB2.0 million (equivalent to approximately HK\$2.5 million) will be used. The new machines include autoclave, water activity measuring instrument, pipette, mixer, digital drying oven, halogen rapid moisture metre, multifunctional water bath system, pH metre, texture analyser, rotary viscometre, milk analyser and computers for staff;
- (v) approximately RMB2.0 million (equivalent to approximately HK\$2.5 million), representing approximately 2.6% of the net proceeds from the Share Offer will be utilised for participating in promotional and marketing activities; and
- from 1 July 2018 to 31 December 2018, our Group plans to participate in the Food Ingredients Asia-China (FIA) (亞洲食品配料展覽會) and China International Bakery Exhibition* (中國國際培烤展覽會). During the period, approximately RMB1.2 million (equivalent to approximately HK\$1.5 million) will be used;
 - between 1 January 2019 and 30 June 2019, our Group plans to participate in the Food Ingredients China (FIC) (中國國際食品添加劑和配料展覽會) exhibition. During the period, approximately RMB0.8 million (equivalent to approximately HK\$1.0 million) will be used;
- (vi) approximately RMB7.9 million (equivalent to approximately HK\$9.6 million), representing approximately 10.4% of the net proceeds from the Share Offer will be utilised as general working capital in order to improve our liquidity.

For further details, please refer to the paragraph headed “Business — Business strategies” in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that our net proceeds are not sufficient to fund the purposes described above, we intend to fund the balance through a variety of means including cash generated from our operations, debt financing and/or equity fund raising. To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

UNDERWRITING

UNDERWRITERS

Public Offer Underwriters

Cinda International Capital Limited
China Galaxy International Securities (Hong Kong) Co., Limited
Supreme China Securities Limited
Golden Rich Securities Limited
Lego Securities Limited
Long Asia Securities Limited
Shun Loong Securities Company Limited
Wellington Financial Limited

Placing Underwriters

Cinda International Capital Limited
China Galaxy International Securities (Hong Kong) Co., Limited
Supreme China Securities Limited
Golden Rich Securities Limited
Lego Securities Limited
Long Asia Securities Limited
Shun Loong Securities Company Limited
Wellington Financial Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer Underwriting Arrangements

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as

UNDERWRITING

mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally and not jointly agreed to subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which 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 and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) shall be entitled by notice (orally or in writing) to our Company to terminate the Public Offer Underwriting Agreement with immediate effect if, at any time prior to the 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur or come into force:
 - (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 Hong Kong or any other jurisdiction(s) relevant to our Company and its subsidiaries or any other similar event which in the reasonable opinion of the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) has or is likely to have a material adverse change, or any development likely to involve a prospective material adverse change in the condition, financial, operational or otherwise, or in the earning, business affairs or business prospects, assets or liability of our Group as a whole, whether or not arising in the ordinary course of business (the “**Material Adverse Effect**”) on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material respect; or
 - (ii) any change (whether or not permanent) in national, regional, international, financial, military, industrial or economic conditions or prospects, stock market, fiscal or political conditions, regulatory or market conditions and matters and/or disasters in Hong Kong or any other jurisdiction(s) relevant to our Company and its subsidiaries or any other similar event which in the reasonable opinion of the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) has or is likely to have a Material Adverse Effect on the business or financial conditions or prospects of the Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material respect; or

UNDERWRITING

- (iii) without prejudice to sub-paragraph (i) of paragraph above, the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (iv) any event, or series of events, beyond the control of the Public Offer Underwriters (including, without limitation, acts of government, strikes, lockout, fire, explosion, flooding, civil commotion, acts of war or acts of God or accident) would or might have a Material Adverse Effect on any member of our Group or its present or prospective shareholders in their capacity as such; or
- (v) any change or development occurs involving a prospective change in taxation or in exchange control in Hong Kong or any other jurisdiction(s) to which any member of our Group is subject or the implementation of any exchange control which in the reasonable opinion of the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) would or might have a Material Adverse Effect on any member of our Group or its present or prospective shareholders in their capacity as such in a material respect; or
- (vi) any litigation or claim of material importance to the business, financial or operations of our Group being threatened or instituted against any member of our Group; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, in Hong Kong or any other jurisdiction(s) relevant to our Company and its subsidiaries; or
- (viii) any governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-governmental regulatory authority, or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign, or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Group companies or Director; or
- (ix) order or petition for the winding up of any Group companies or any composition or arrangement made by any Group companies with its creditors or a scheme of arrangement entered into by any Group companies or any resolution for the winding up of any Group companies or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any Group companies or anything analogous thereto occurring in respect of any Group companies; or
- (x) any such event, which, individually, or in the aggregate, in the reasonable opinion of the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), (i) has or may have a Material Adverse

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Effect on the success of the Share Offer, or the level of applications under the Public Offer or the level of interest under the Placing; or (ii) has or will or may have a Material Adverse Effect on the assets, liabilities, business, prospects, trading or financial position of the Group as a whole; or (iii) makes it inadvisable or impracticable to proceed with the Share Offer; or (iv) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

- (b) there has come to the notice of the Joint Bookrunners and the Joint Lead Managers:
- (i) any matter or event showing any of the representations and warranties contained in the Public Offer Underwriting Agreement to be materially untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be materially untrue or inaccurate in any respect considered by the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in their reasonable opinion to be material or showing any of the obligations or undertakings expressed to be assumed by or imposed on our Company or the Controlling Shareholders under Public Offer Underwriting Agreement not to have been complied with in any respect considered by the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in their reasonable opinion to be material; or
 - (ii) any breach on the part of our Company or any of the Controlling Shareholders of any provisions of the Public Offer Underwriting Agreement in any respect which is considered by the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in their reasonable opinion to be material; or
 - (iii) any statement contained in this prospectus, notices, advertisements, announcements, application proof prospectus, the post hearing information pack in the nature of a near-final draft prospectus of our Company published on the Stock Exchange's website (the "**PHIP**"), the submissions, documents or information provided to the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), the Stock Exchange, the legal adviser to the Joint Bookrunners and the Joint Lead Managers and the Underwriters and any other parties involved in the Share Offer which in the reasonable opinion of the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or

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- (iv) matters have arisen or have been discovered which would, if this prospectus, notices, advertisements, announcements, application proof prospectus, PHIP was to be issued at that time, constitute, in the reasonable opinion of the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), a material omission of such information; or
- (v) there is any material adverse change or prospective material adverse change in the business or in the financial or trading position or prospects of the Group which in the reasonable opinion of the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) is material; or
- (vi) the approval of the Stock Exchange of the listing of, and permission to deal in, the Offer Shares under the Share Offer is refused or not granted, other than subject to customary conditions, on or before 8:00 a.m. of the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vii) any expert, who has given opinion or advice which are contained in this prospectus, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or advices and references to its name included in the form and context in which it respectively appears prior to the issue of this prospectus; or
- (viii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer; or
- (ix) any information, matter or event which in the reasonable opinion of the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters):
 - (a) is inconsistent in any material respect with any information contained in the Declaration and Undertaking with regard to Directors (Form B) given by any Directors pursuant to the Share Offer; or
 - (b) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group.

Undertakings to the Stock Exchange under the Listing Rules

Undertakings by us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Capitalisation Issue, the Share Offer and the Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject

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of any agreement to such an issue by us 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 as permitted by Rule 10.08(1) to (5) of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, the Share Offer as described and contained in this prospectus, it/he shall not and shall procure that the relevant registered shareholder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his shareholding in our Company 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 those Shares in respect of which it/he is shown by this prospectus to be the beneficial owners; or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (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 paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

- (1) when it/he pledges or charges any Shares beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (2) when it/he receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

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Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by us

Except for the issue of Shares pursuant to the Share Offer, the Capitalisation Issue and options which may be granted under the Share Option Scheme or as otherwise with the prior written consent of the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-Month Period**”), we have, pursuant to the Public Offer Underwriting Agreement, undertaken to the Joint Bookrunners and the Joint Lead Managers (acting on their behalf and on behalf of all the Public Offer Underwriters) that:

- (a) our Company will not offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Company or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or
- (b) our Company will not enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein; or
- (c) our Company will not enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or
- (d) our Company will not agree or contract to, or publicly announce any intention to enter into any transaction described in paragraph (a), (b) or (c) above,

whether any of the foregoing transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

- (e) our Company will ensure that if any of the transactions in paragraph (a), (b) or (c) above is entered into or agreed to be entered into during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

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Undertakings by our Controlling Shareholders

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has undertaken jointly and severally to each of the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers, our Company and the Public Offer Underwriters that:

- (i) at any time during the First Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and unless pursuant to the exercise of any option granted under the Share Option Scheme or otherwise in compliance with the requirements of the Listing Rules, (a) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein; (c) enter or agree to enter into, conditionally or unconditionally, or effect any of the transaction with the same economic effect as any transaction referred to in (a) or (b) above; or (d) agree, or contract to, or publicly announce any intention to enter into or effect any of the transaction referred to in (a), (b) or (c) above;

whether any of the foregoing transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and

- (ii) at any time during the Second Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and unless pursuant to the exercise of any option granted under the Share Option Scheme or otherwise in compliance with the Listing Rules, enter into any of the foregoing transactions in paragraph (i) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, Controlling Shareholders;

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- (iii) at any time before the expiry of the Second Six-Month Period, in the event that he/it enters into any transaction referred to in paragraph (i) above or agrees or contracts to or publicly announces an intention to enter into such transactions, he/it shall take all reasonable steps to ensure that such action shall not create a disorderly or false market for any Shares or other securities of our Company; and
- (iv) he/it shall, and shall procure that his/its associates and companies controlled by him/it and nominees or trustees holding in trust for him/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares.

Each of our Controlling Shareholders has further undertaken jointly and severally to each of the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and our Company, during the first twelve months from the Listing Date, he/it will:

- (1) when he/it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which he/it is the beneficial owner, immediately inform our Company, the Sole Sponsor and the Joint Bookrunners and the Joint Lead Managers in writing of such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and
- (2) when he/it receives any indication, whether verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Joint Bookrunners and the Joint Lead Managers in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of a press announcement in accordance with Rule 2.07C of the Listing Rules.

The Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, *inter alia*, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or purchase or procure subscribers or purchasers for the Placing Shares being offered pursuant to the Placing.

UNDERWRITING

Commissions and expenses

The Underwriters will receive an underwriting commission at the rate of 3.5% of the aggregate Offer Price payable for the Offer Shares, out of which they will pay any sub-underwriting commissions. The underwriting commission (not taking into account the aforesaid incentive fee), together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer, is currently estimated to be approximately HK\$33.8 million (equivalent to approximately RMB27.7 million) in aggregate (based on an Offer Price of HK\$0.75 per Offer Share) and is paid or payable by our Company.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Share Offer. Cinda International is the Sole Sponsor and Cinda International, China Galaxy International and Supreme China are the Joint Bookrunners and the Joint Lead Managers.

The Share Offer consists of:

- the Public Offer of 17,000,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the sub-section headed “The Public Offer” in this section; and
- the Placing of 153,000,000 Shares (subject to reallocation as mentioned below) are to be offered to professional, institutional and other investors as described below under the sub-section headed “The Placing” in this section.

Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong.

The Placing will involve selective marketing of the Placing Shares to institutional and professional investors and other investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Placing Shares in the Placing. Prospective investors will be required to specify the number of Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the sub-section headed “Pricing and allocation” in this section.

PRICING AND ALLOCATION

Price payable on application

The Offer Price of HK0.75 per Offer Share was determined and agreed between our Company, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriter) after taking into account, among others, the expected demand for the Offer Shares. There will not be any reduction in the Offer Price and the total number of the Offer Shares under the Share Offer. Applicants under the Public Offer must pay, on application, the Offer Price of HK\$0.75 per Public Offer Share plus a 1% brokerage fee, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,030.23 for one board lot of 4,000 Shares. Each Application Form includes a table showing the exact amount payable on application on certain numbers of Offer Shares. Please refer to the section headed “How to Apply for the Public Offer Shares” in this prospectus for further details.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

The 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 Joint Bookrunners and the Joint Lead Managers.

Allocation of the Offer Shares pursuant to the Placing will be determined by the Joint Bookrunners and the Joint Lead Managers 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 the Shares after Listing. 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 the Company and the Shareholders as a whole.

Allocation of the Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly 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.

Announcement of basis of allocations

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 Tuesday, 26 June 2018 on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.shineroad.com.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving **electronic application instructions** to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, will be made available through a variety of channels as described in the section headed "How to Apply for the Public Offer Shares — 11. Publication of results" in this prospectus.

PUBLIC OFFER UNDERWRITING AGREEMENT

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. Details of the underwriting arrangements are summarised in the section headed "Underwriting" in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares pursuant to the Public Offer and the Placing will be conditional on, amongst other things:

- (i) the execution of the Placing Underwriting Agreement;
- (ii) the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Committee, and such approval and permission not having been subsequently revoked prior to 8:00 a.m. on the Listing Date;
- (iii) the Company, the executive Directors and the Controlling Shareholders in all material respects having complied with the Underwriting Agreements and satisfied all the obligations and conditions on their parts under the Underwriting Agreements to be performed or satisfied on or prior to the respective times and dates by which such obligations must be performed or conditions met; and
- (iv) the obligations of the Underwriters under each of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement becoming and remaining unconditional and not having been 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).

The consummation of each of the Public Offer and the Placing is conditional upon, amongst other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by the Company on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.shineroad.com on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Public Offer Shares — 13. Refund of application monies" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Tuesday, 26 June 2018 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 27 June 2018, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — The Public Offer underwriting arrangements — Public Offer Underwriting Agreement — Grounds for termination" in this prospectus has not been exercised.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PUBLIC OFFER

Number of Shares initially offered

The Company is initially offering 17,000,000 Shares at the Offer Price, representing 10% of the 170,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of the Company immediately after completion of the Share Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions set out in the section headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus.

Allocation

For allocation purpose only, the number of the Public Offer Shares will be divided equally into two pools: 8,500,000 Shares in pool A and 8,500,000 Shares in pool B. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee thereon) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee thereon) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pool is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Public Offer Shares initially available under pool A or pool B will be rejected.

Multiple applications or suspected multiple applications and any application made for more than 50% of Shares initially comprised in the Public Offer (i.e. 8,500,000 Public Offer Shares) are liable to be rejected.

Allocation of Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applications. Such allocation could, where appropriate, consist of balloting, which could 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

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) Where the Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Public Offer Shares are undersubscribed, the Joint Bookrunners and the Joint Lead Managers have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners and the Joint Lead Managers deem appropriate;
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed and the number of Offer Shares validly 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 17,000,000 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 34,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer;
 - (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then 34,000,000 Shares will 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 51,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer;
 - (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then 51,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 68,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer; and
 - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then 68,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 85,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (b) Where the Placing Shares are undersubscribed:
- (i) 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; and
 - (ii) if the Public Offer Shares are oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 17,000,000 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 34,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer.

In the event of a reallocation of Offer Shares from the Placing to the Public Offer in circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced. The reallocation of Offer Shares in the Share Offer shall be in compliance with Guidance Letter GL91-18 issued by the Stock Exchange.

Applications

The Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the 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 Joint Bookrunners and the Joint Lead Managers so as to allow them 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.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making 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, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PLACING

Number of Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 153,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of the Company's enlarged issue share capital immediately after the completion of the Share Offer, but without taking into account Shares which may be issued upon exercise of options granted under the Share Option Scheme.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of the Company by the Placing Underwriters or through selling agents appointed by them. Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book-building process described in the sub-section headed "Pricing and allocation" in this section and based on a number of factors, including the level and timing of demand, the 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 Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole. The Joint Bookrunners and the Joint Lead Managers may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Bookrunners and the Joint Lead Managers so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application of Offer Shares under the Public Offer.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the 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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 27 June 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 27 June 2018. The Shares will be traded in board lots of 4,000 Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for the Public Offer Shares, then you may not apply for or indicate an interest for the Placing Shares.

To apply for the Public Offer Shares, you may:

- (a) use a **WHITE** or **YELLOW** Application Form;
- (b) apply online via the **HK eIPO white Form** service at www.hkeipo.hk; or
- (c) 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 Sponsor, the Joint Bookrunners, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees 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 the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you (or the 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 apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under an authorised attorney, our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers or their respective agents and nominees may accept or reject it at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of the Shares and/or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- are a connected person or a core connected person (both as defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Share Offer;
- are an associate or a close associate (both as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for or indicated an interest in any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR THE PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Where to Collect the Prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 14 June 2018 until 12:00 noon on Wednesday, 20 June 2018 from:

- (a) any of the following address of the Public Offer Underwriters:

Cinda International Capital Limited	45th Floor COSCO Tower 183 Queen's Road Central Hong Kong
China Galaxy International Securities (Hong Kong) Co., Ltd.	20th Floor Wing On Centre 111 Connaught Road Central Hong Kong
Supreme China Securities Limited	Suites 2701–2, 27/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong
Golden Rich Securities Limited	22/F, Siu On Centre, 188 Lockhart Road, Wan Chai, Hong Kong
Lego Securities Limited	Room 301, 3/F, China Building, 29 Queen's Road Central, Central, Hong Kong
Long Asia Securities Limited	Unit A, 23/F, The Wellington, 198 Wellington Street, Sheung Wan, Hong Kong
Shun Loong Securities Company Limited	1801, 18/F, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong
Wellington Financial Limited	Unit B, 10/F, 128 Wellington Street, Central, Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (b) or any of the following branches of Bank of China (Hong Kong) Limited, the receiving bank for the Public Offer:

District	Branch name	Address
Hong Kong Island	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
Kowloon	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong
	Tsim Sha Tsui Branch	24–28 Carnarvon Road, Tsim Sha Tsui, Kowloon
New Territories	Tseung Kwan O Plaza Branch	Shop 112–125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 14 June 2018 until 12:00 noon on Wednesday, 20 June 2018 from:

- (i) the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- (ii) your stockbroker.

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 — SHINEROAD INTERNATIONAL PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Thursday, 14 June 2018	—	9:00 a.m. to 5:00 p.m.
Friday, 15 June 2018	—	9:00 a.m. to 5:00 p.m.
Saturday, 16 June 2018	—	9:00 a.m. to 1:00 p.m.
Tuesday, 19 June 2018	—	9:00 a.m. to 5:00 p.m.
Wednesday, 20 June 2018	—	9:00 a.m. to 12:00 noon

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 20 June 2018, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through **HK eIPO White Form** service, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor, the Joint Bookrunners and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, 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;
- agree to comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- 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 be bound by them;
- 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 or representations except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- 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 Placing Shares under the Placing nor participated in the Placing;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- 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 our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers 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;
- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application will be governed by the laws of Hong Kong;
- 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 under the U.S. Securities Act) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- warrant that the information you have provided is true and accurate;
- agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- authorise our Company to place your name(s) or the name of the 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 its agents to deposit any Share certificates into CCASS and/or to send any Share certificate(s) and/or any e-Auto Refund payment instructions 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 the application, unless you are eligible and have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;
- 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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- understand that our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and their respective agents and nominees 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;
- (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 or to the **HK eIPO White Form** Service Provider by you by any one as your agent or by any other person; and
- (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 THROUGH HK EIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed “2. Who can apply for the Public Offer Shares” in this section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 14 June 2018 until 11:30 a.m. on Wednesday, 20 June 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 20 June 2018 or such later time under the paragraph headed “10. Effect of bad weather on the opening of the applications lists” in this section.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** 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 (852) 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures 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 Center
1/F, One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

You can also collect a prospectus from this 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 our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Branch 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:
 - 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 CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated to you under the application;
 - 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 Placing Shares under the Placing nor participated in the Placing;
 - (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;
 - (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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- confirm that you understand that our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and their respective agents and nominees 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;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and our Company and/or its agents to deposit any Share certificate(s) into CCASS and/or to send any refund monies under the arrangements separately agreed between us and HKSCC;
- 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 be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representation except those set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- 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 our Company agreeing that it 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,

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- 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 giving **electronic application instructions** to apply for the Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself 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 (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- 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 our Company 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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (b) instructed and authorised HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) 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.

Minimum Purchase 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 4,000 Public Offer Shares. Instructions for more than 4,000 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 following times on the following dates:

Thursday, 14 June 2018	—	9:00 a.m. to 8:30 p.m. ^(Note)
Friday, 15 June 2018	—	8:00 a.m. to 8:30 p.m. ^(Note)
Saturday, 16 June 2018	—	8:00 a.m. to 1:00 p.m. ^(Note)
Tuesday, 19 June 2018	—	8:00 a.m. to 8:30 p.m. ^(Note)
Wednesday, 20 June 2018	—	8:00 a.m. ^(Note) to 12:00 noon

Note: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 14 June 2018 until 12:00 noon on Wednesday, 20 June 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 20 June 2018, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company 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 (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. 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. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. 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. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service 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 instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 Wednesday, 20 June 2018.

8. HOW MANY APPLICATIONS CAN YOU 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:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint 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 or through the **HK eIPO White Form** service, 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 for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- 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).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Public Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

You must pay the Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form , or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and 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).

For further details on the Offer Price, please refer to the paragraph headed “Structure and conditions of the Share Offer — Pricing and allocation — Price payable on application” in this prospectus.

10. 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,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 20 June 2018. 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 Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 20 June 2018 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 the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the level of the indications of interest in the Placing, the level of applications under the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 26 June 2018 on our Company’s website at **www.shineroad.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The results of allocations and the Hong Kong Identity Card/passport/Hong Kong business registration numbers of successful applicants (where applicable) under the Public Offer will be available at the times and date and in the manner specified below:

- (a) in the announcement to be posted on our Company's website at **www.shineroad.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, 26 June 2018;
- (b) from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, 26 June 2018 to 12:00 midnight on Monday, 2 July 2018;
- (c) by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 26 June 2018 to Friday, 29 June 2018 (excluding Saturday, Sunday and public holiday in Hong Kong); and
- (d) in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 26 June 2018 to Thursday, 28 June 2018 at all the designated receiving bank branches on a business day.

If our Company accepts 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 the section headed "Structure 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.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, 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 a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) 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 applicant 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 an 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 the results of the ballot respectively.

(b) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of the Public Offer Shares is void:

The allotment of the Public Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- (i) within three weeks from the closing date of the application lists; or
- (ii) within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- (i) you make multiple applications or suspected multiple applications;
- (ii) you or the person for whose benefit you are applying 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;
- (iii) your Application Form is not completed in accordance with the stated instructions;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (iv) your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- (v) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- (vi) the Underwriting Agreements do not become unconditional or are terminated;
- (vii) our Company, the Joint Bookrunners or the Joint Lead Managers believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- (viii) your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only or if the conditions of the Share Offer are not fulfilled in accordance with the section headed "Structure and 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, SFC transaction levy and 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 Tuesday, 26 June 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document 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

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (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 all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for (Including brokerage, SFC transaction, levy and 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 Tuesday, 26 June 2018. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid documents of title at 8:00 a.m. on Wednesday, 27 June 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” 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.

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) and/or Share certificate(s) in person from our Company’s Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 26 June 2018 or such other date as announced by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. 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 Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time period specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 26 June 2018, by ordinary post and 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 described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 26 June 2018, by ordinary post and at your own risk.

If you apply by 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 CCASS Investor Participant stock account or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 26 June 2018, or upon contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

(i) *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

(ii) *If you are applying as a CCASS investor participant*

We will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 26 June 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(c) *If you apply through the HK eIPO White Form service*

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 26 June 2018, or such other date as notified by our Company on the website of our Company at **www.shineroad.com** or on the website of the Stock Exchange at **www.hkexnews.hk** as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 26 June 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(d) *If you apply via electronic application instructions to HKSCC*

Allocation of the 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 instructions are 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 CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 26 June 2018 or on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong Identity Card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer Shares in the manner specified in "11. Publication of results" above on Tuesday, 26 June 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 26 June 2018 or such other date as 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- 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 Tuesday, 26 June 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your 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.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications (including brokerage, SFC transaction levy and 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 Tuesday, 26 June 2018.

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 or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) 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 adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

14 June 2018

The Directors

Shineroad International Holdings Limited
Cinda International Capital Limited

Dear Sirs,

We report on the historical financial information of Shineroad International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-57, which comprises the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2015, 2016 and 2017 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017, and the statements of financial position of the Company as at 31 December 2015 and 2016 and 2017, 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-57 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 14 June 2018 (the "Prospectus") in connection with the initial listing of the 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 the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the 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 the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, 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 financial position of the Group as at 31 December 2015, 2016 and 2017 and of the Company as at 31 December 2015 and 2016 and 2017, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of 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 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Certified Public Accountants
Hong Kong

14 June 2018

SHINEROAD INTERNATIONAL HOLDINGS LIMITED

I HISTORICAL FINANCIAL INFORMATION

Preparation of 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 Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing ("HKSA's") issued by HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	<i>Notes</i>	Year ended 31 December		
		2015	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	5	456,053	501,286	527,935
Cost of sales		<u>(383,096)</u>	<u>(424,714)</u>	<u>(442,727)</u>
Gross profit		72,957	76,572	85,208
Other income and gains, net	5	3,320	2,797	3,457
Selling and distribution expenses		(15,635)	(18,188)	(20,894)
Administrative expenses		(12,653)	(17,549)	(25,470)
Other expenses		(1,935)	(1,534)	(1,700)
Finance costs	7	<u>(1,872)</u>	<u>(1,764)</u>	<u>(2,102)</u>
PROFIT BEFORE TAX	6	44,182	40,334	38,499
Income tax expense	10	<u>(11,683)</u>	<u>(10,450)</u>	<u>(11,209)</u>
PROFIT FOR THE YEAR		<u>32,499</u>	<u>29,884</u>	<u>27,290</u>
Attributable to:				
Owners of the parent		32,158	29,767	27,219
Non-controlling interests		<u>341</u>	<u>117</u>	<u>71</u>
		<u>32,499</u>	<u>29,884</u>	<u>27,290</u>

	Year ended 31 December		
	2015	2016	2017
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements into presentation currency	(52)	(158)	(1,361)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(52)	(158)	(1,361)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>32,447</u>	<u>29,726</u>	<u>25,929</u>
Attributable to:			
Owners of the parent	32,106	29,609	25,858
Non-controlling interests	<u>341</u>	<u>117</u>	<u>71</u>
	<u>32,447</u>	<u>29,726</u>	<u>25,929</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	<i>11</i>	<u>N/A</u>	<u>N/A</u>

Consolidated Statements of Financial Position

	<i>Notes</i>	As at 31 December		
		2015	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	13	821	580	717
Other intangible assets	14	29	81	—
Deferred tax assets	22	—	21	225
Total non-current assets		<u>850</u>	<u>682</u>	<u>942</u>
CURRENT ASSETS				
Inventories	15	43,939	53,988	37,906
Trade and bills receivables	16	72,114	77,327	85,633
Prepayments, deposits and other receivables	17	14,841	19,685	10,736
Amounts due from related parties	29	4,387	96	—
Pledged deposits	18	6,491	6,700	18,955
Cash and cash equivalents	18	<u>30,215</u>	<u>39,828</u>	<u>88,690</u>
Total current assets		<u>171,987</u>	<u>197,624</u>	<u>241,920</u>
CURRENT LIABILITIES				
Trade payables	19	24,442	34,192	38,394
Other payables and accruals	20	5,168	8,477	14,695
Amount due to the Controlling Shareholder	29	1,323	1,174	—
Amounts due to related parties	29	23,236	11,117	2,172
Interest-bearing bank loans and other borrowings	21	30,000	—	—
Tax payable		<u>13,295</u>	<u>3,283</u>	<u>3,788</u>
Total current liabilities		<u>97,464</u>	<u>58,243</u>	<u>59,049</u>
NET CURRENT ASSETS		<u>74,523</u>	<u>139,381</u>	<u>182,871</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>75,373</u>	<u>140,063</u>	<u>183,813</u>

		As at 31 December		
		2015	2016	2017
	Notes	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Interest-bearing bank loans and other borrowings	21	<u>—</u>	<u>40,000</u>	<u>40,000</u>
Total non-current liabilities		<u>—</u>	<u>40,000</u>	<u>40,000</u>
NET ASSETS		<u>75,373</u>	<u>100,063</u>	<u>143,813</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	23	—	—	—
Reserves	24	<u>75,373</u>	<u>99,043</u>	<u>143,813</u>
Equity attributable to owners of the Company		75,373	99,043	143,813
Non-controlling interests		<u>—</u>	<u>1,020</u>	<u>—</u>
Total equity		<u>75,373</u>	<u>100,063</u>	<u>143,813</u>

Consolidated statements of changes in equity

Year ended 31 December 2015

	Attributable to owners of the parent					Retained profits RMB'000*	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000*	Merger reserve RMB'000*	Statutory reserve RMB'000*	Exchange fluctuation reserve RMB'000*				
At 1 January 2015	—	—	25,700	6,109	—	53,962	85,771	1,319	87,090
Profit for the year	—	—	—	—	—	32,158	32,158	341	32,499
Other comprehensive income for the year:									
Exchange differences on translation of financial statements into presentation currency	—	—	—	—	(52)	—	(52)	—	(52)
Total comprehensive income for the year	—	—	—	—	(52)	32,158	32,106	341	32,447
Acquisition of non-controlling interests	—	—	44	—	—	—	44	(760)	(716)
Business combination under common control	—	—	(2,744)	—	—	(3,704)	(6,448)	—	(6,448)
Dividends paid to non- controlling interests**	—	—	—	—	—	—	—	(900)	(900)
Dividends declared**	—	—	—	—	—	(36,100)	(36,100)	—	(36,100)
Transfer from retained profits	—	—	—	3,422	—	(3,422)	—	—	—
At 31 December 2015	—	—	23,000	9,531	(52)	42,894	75,373	—	75,373

Year ended 31 December 2016

	Attributable to owners of the parent					Retained profits	Total	Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Statutory reserve	Exchange fluctuation reserve				
	RMB'000	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000	RMB'000	RMB'000
At 1 January 2016	—	—	23,000	9,531	(52)	42,894	75,373	—	75,373
Profit for the year	—	—	—	—	—	29,767	29,767	117	29,884
Other comprehensive income for the year:									
Exchange differences on translation of financial statements into presentation currency	—	—	—	—	(158)	—	(158)	—	(158)
Total comprehensive income for the year	—	—	—	—	(158)	29,767	29,609	117	29,726
Contribution from the non-controlling shareholder	—	—	(381)	—	—	—	(381)	903	522
Business combination under common control	—	—	(3,000)	—	—	(2,558)	(5,558)	—	(5,558)
Transfer from retained profits	—	—	—	2,658	—	(2,658)	—	—	—
At 31 December 2016	—	—	19,619	12,189	(210)	67,445	99,043	1,020	100,063

Year ended 31 December 2017

	Attributable to owners of the parent					Retained profits	Total	Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Statutory reserve	Exchange fluctuation reserve				
	RMB'000	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000	RMB'000	RMB'000
At 1 January 2017	—	—	19,619	12,189	(210)	67,445	99,043	1,020	100,063
Profit for the year	—	—	—	—	—	27,219	27,219	71	27,290
Other comprehensive income for the year:									
Exchange differences on translation of financial statements into presentation currency	—	—	—	—	(1,361)	—	(1,361)	—	1,361
Total comprehensive income for the year	—	—	—	—	(1,361)	27,219	25,858	71	25,929
Acquisition of non-controlling interests	—	—	111	—	—	—	111	(501)	(390)
Business combination under common control	—	—	(19,730)	—	—	(18,880)	(38,610)	—	(38,610)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(590)	(590)
Dividends declared**	—	—	—	—	—	(58,423)	(58,423)	—	(58,423)
Proceeds from issue of shares	—	115,834	—	—	—	—	115,834	—	115,834
Transfer from retained profits	—	—	—	2,275	—	(2,275)	—	—	—
At 31 December 2017	—	115,834	—	14,464	(1,571)	15,086	143,813	—	143,813

* These reserve accounts comprise the consolidated reserves of RMB75,373,000, RMB99,043,000 and RMB143,813,000 in the consolidated statements of financial position as at 31 December 2015, 2016 and 2017, respectively.

** The amount of dividend distribution which the PRC subsidiaries can legally distribute by way of dividend is determined by reference to the distributable profits as reflected in their PRC statutory financial statements prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP").

Consolidated Statements of Cash Flows

	<i>Notes</i>	Year ended 31 December		
		2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		44,182	40,334	38,499
Adjustments for:				
Finance costs	7	1,872	1,764	2,102
Interest income	5	(494)	(395)	(469)
Depreciation	13	466	448	388
Amortisation of other intangible assets	14	1	14	96
Impairment of receivables	6	—	—	900
Write-down of inventories to net realisable value	6	—	82	1,638
Unrealised gains from changes in foreign currency exchange		(55)	(228)	(640)
(Increase)/decrease in inventories		(21,299)	(10,131)	14,444
Increase in trade and bills receivables		(18,580)	(5,213)	(9,206)
(Increase)/decrease in prepayments		4,881	(4,560)	10,209
(Increase)/decrease in pledged deposits		6,420	(209)	(12,255)
Increase in deposits and other receivables		(1,817)	(284)	(1,260)
Increase/(decrease) in trade payables		(7,796)	9,750	4,202
Increase/(decrease) in other payables and accruals		(1,064)	3,309	6,218
Decrease in amounts due from related parties				
— trade related		108,346	4,291	96
Decrease in amounts due to related parties				
— trade related		(86,210)	(12,119)	(8,945)
Increase/(decrease) in an amount due to the Controlling Shareholder		169	(149)	(1,174)
Cash generated from operations		29,022	26,704	44,843
Income tax paid		(7,914)	(20,483)	(10,908)
Net cash flows from operating activities		21,108	6,221	33,935

	<i>Notes</i>	Year ended 31 December		
		2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Net cash flows from operating activities		21,108	6,221	33,935
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	5	494	395	469
Purchases of items of property, plant and equipment	13	(369)	(207)	(525)
Purchase of intangible assets	14	(30)	(66)	(15)
Advances of loans to a related party		(20,000)	—	—
Repayment of loans from a related party		42,000	—	—
Net cash flows from/(used in) investing activities		22,095	122	(71)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares		—	—	115,834
Contribution from a non-controlling shareholder		—	522	—
Proceeds from bank loans and other borrowings		—	40,000	—
Repayment of bank loans and other borrowings		(6,800)	(30,000)	—
Acquisition of loans from related parties		—	40,000	—
Repayment of loans from related parties		—	(40,000)	—
Acquisition of non-controlling interests		(716)	—	(390)
Business combination under common control		(6,448)	(5,558)	(38,610)
Dividends paid		(36,100)	—	(58,423)
Dividends paid to non-controlling shareholders		(900)	—	(590)
Interest paid		(1,872)	(1,764)	(2,102)
Net cash flows (used in)/from financing activities		(52,836)	3,200	15,719

	<i>Notes</i>	Year ended 31 December		
		2015	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(9,633)	9,543	49,583
Cash and cash equivalents at beginning of year		39,845	30,215	39,828
Effect of foreign exchange rate changes, net		<u>3</u>	<u>70</u>	<u>(721)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>30,215</u></u>	<u><u>39,828</u></u>	<u><u>88,690</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents as stated in the statements of financial position	<i>18</i>	<u>30,215</u>	<u>39,828</u>	<u>88,690</u>
Cash and cash equivalents as stated in the statements of cash flows		<u><u>30,215</u></u>	<u><u>39,828</u></u>	<u><u>88,690</u></u>

Statements of Financial Position

	<i>Notes</i>	As at 31 December		
		2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
CURRENT ASSETS				
Prepayments, deposits and other receivables	17	—	396	—
Amount due from a subsidiary		—	—	108,024
Cash and bank balances	18	—	—	4
Total current assets		—	396	108,028
CURRENT LIABILITIES				
Other payables and accruals, current	20	—	—	1,682
Amount due to a related party		35	1,621	—
Total current liabilities		35	1,621	1,682
NET CURRENT (LIABILITIES)/ASSETS		(35)	(1,225)	106,346
TOTAL ASSETS LESS CURRENT LIABILITIES		(35)	(1,225)	106,346
NET (LIABILITIES)/ASSETS		(35)	(1,225)	106,346
EQUITY				
Share capital	23	—	—	—
Reserves	24	(35)	(1,225)	106,346
Total equity		(35)	(1,225)	106,346

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated as an investment holding company under the laws of the Cayman Islands on 26 November 2015. The registered office of the Company is located at the offices of Appleby Trust (Cayman) Ltd., P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1109, Cayman Islands. The Group is principally engaged in the distribution of food additives (the "Listing Business").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporation Structure" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

The ultimate controlling shareholder of the Company is Mr. Huang Haixiao (known as the "Controlling Shareholder").

As at the date of this report, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Notes	Place and date of incorporation/ registration and business	Nominal value of issued shares/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
上海欣融食品原料 有限公司 Shanghai Shineroad Food Ingredients Co., Ltd.	(a)	The PRC/ Mainland China 10 January 2011	RMB80.2 million	—	100%	Distribution of food ingredients
北京申欣融食品配料 有限公司 Beijing Shineroad Food Additives Co., Ltd.	(b)	The PRC/ Mainland China 11 July 2011	RMB3 million	—	100%	Distribution of food ingredients
廣州捷洋食品科技 有限公司 Guangzhou Jieyang Food Technology Co., Ltd.	(b)	The PRC/ Mainland China 16 November 2010	RMB3 million	—	100%	Distribution of food ingredients
欣融控股有限公司 Shineroad Holding Limited	(c)	British Virgin Islands 1 December 2015	US\$50,000	100%	—	Investment holding
欣融食品控股有限公司 Shineroad Food Holding Limited	(d)	Hong Kong 9 December 2015	HK\$1	—	100%	Investment holding
上海晶公食品科技 有限公司 Shanghai Jing Gong Food Technology Co., Ltd.	(e)	The PRC/ Mainland China 29 April 2016	US\$5 million	—	100%	Distribution of food ingredients

All group companies located in mainland China do not have official English names.

Notes:

- (a) The statutory financial statements of this entity for the years ended 31 December 2015 and 2016 prepared under PRC GAAP were audited by 上海瑞通會計師事務所(普通合伙) (Shanghai RUITONG Certified Public Accountants). No audited financial statement has been prepared for this entity for the year ended 31 December 2017, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.
- (b) No audited financial statements have been prepared for these entities for the years ended 31 December 2015, 2016 and 2017, as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.
- (c) No audited financial statements have been prepared for this entity for the years ended 31 December 2015, 2016 and 2017, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.
- (d) No audited financial statements have been prepared for this entity for the years ended 31 December 2015, 2016 and 2017, as the entity was newly set up in 2015 and has not commenced its operation since its incorporation.
- (e) No audited financial statements have been prepared for this entity for the year ended 31 December 2016 and 2017, as the entity was newly set up in 2016 and has not commenced its operation since its incorporation.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 4 May 2017. The companies now comprising the Group were under the common control of the Controlling Shareholder before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholder’s perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries held by parties other than the Controlling Shareholder prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared on a historical cost convention basis.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries during the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ¹
Amendments to HKFRS 4 HKFRS 9	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ¹ <i>Financial Instruments</i> ¹
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint venture</i> ³
HKFRS 15	<i>Revenue from Contracts with Customers</i> ¹
Amendments to HKFRS 15 HKFRS 16	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> ¹ <i>Leases</i> ²
HKFRS 17	<i>Insurance Contracts</i> ⁴
Amendments to HKAS 40	<i>Transfers of Investment Property</i> ¹
HK (IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> ¹
HK (IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ²
Annual Improvements 2015–2017 Cycle	<i>Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23</i> ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ No mandatory effective date yet determined but available for adoption

⁴ Effective for annual periods beginning on or after 1 January 2021

Further information about those HKFRSs which are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring all financial assets as loans and receivables.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The directors expect the new impairment model introduced by HKFRS 9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39. The Group considers that the adoption of the new standard of HKFRS 9 will not have significant impact on the Group's financial position and financial performance.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a five-step approach: (1) identify the contract(s) with customers; (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate transaction price to performance obligations; and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings' process to an 'asset-liability' approach based on transfer of control. HKFRS 15 is effective for an entity's first annual financial statements under HKFRS for a period beginning on or after 1 January 2018, with earlier application permitted.

The Group does not plan to early adopt HKFRS 15. Based on the Group's Listing Business and related revenue recognition accounting policy as set out in note 2.4, management does not expect any significant impact on the financial performance and financial position of the Group resulted from the adoption of HKFRS 15 for periods beginning on or after 1 January 2018.

In May 2016, the HKICPA issued HKFRS 16, which provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. The new standard maintains substantially the lessor accounting requirements in the current standard.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. For lessors, there is little change to the existing accounting in HKAS 17 Leases. The Group expects to adopt HKFRS 16 on 1 January 2019.

As set out in note 27 to the Historical Financial Information, the Group's total future minimum lease payments under non-cancellable operating leases as at 31 December 2015, 2016 and 2017 were RMB5,011,000, RMB2,313,000 and RMB3,895,000, respectively. The directors do 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 a certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations other than business combination under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group 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 employees of either 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 the key management personnel of the entity (or of a parent of the entity); and
- (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.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. 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.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Machinery	9.5% to 19%
Motor vehicles	23.8%
Office equipment	19% to 31.7%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 1 year to 3 years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to the related parties, and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories comprising merchandises, are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on the estimated selling price less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, 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, and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sales of goods, when the significant risks and reward of ownership have been transferred to the buyer, which is usually at the date when a group entity has delivered products to the customer and the customer has checked and accepted the products, the collectability of the related receivables is reasonably assumed and there is no unfulfilled obligation that could affect the customer's acceptance of the products;
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (c) revenue on the rendering of services, on the percentage of completion basis, comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Employee benefits***Pension scheme***

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of the Company and certain subsidiaries is the Hong Kong dollar. As at the end of the reporting period, as the principle operating activities of the Group occur in the mainland China and are denominated in RMB, the assets and liabilities of these entities are translated into the presentation currency of the Group (RMB) at the exchange rates prevailing at the end of the reporting period, and their statements of profit or loss and other comprehensive income are translated at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting 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.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price less any estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at each reporting date.

Impairment of trade and bills receivables and amounts due from related parties

The Group's management estimates the provision for impairment of trade and bills receivables and amounts due from related parties by assessing their recoverability based on credit history and the prevailing market conditions. This requires the use of estimates and judgements. Management reassesses the provision at each reporting date.

Provisions are applied to trade and bills receivables and amounts due from related parties where events or changes in circumstances indicate that the amount may not be collectible. Where the expectation is different from the original estimates, the difference will affect the carrying values of trade and bills receivables and amounts due from related parties and thus the impairment charge in the period in which the estimates are changed.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Relevant Periods. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transaction in an arm's length transaction of similar assets or observable market prices less incremental cost for disposal of the assets. When value in use calculation is undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets at 31 December 2015, 2016 and 2017 were nil, RMB21,000 and RMB225,000, respectively.

4. OPERATING SEGMENT INFORMATION

The Group's principal business is the distribution of food additives. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the distribution of food additives.

Information about geographical area

Since all of the Group's revenue was generated from the distribution of food additives in Mainland China and over 95% of the Group's identifiable non-current assets were located in Mainland China, no geographical information is presented in accordance with HKFRS 8 — *Operating Segments*.

Information about major customers

During the Relevant Periods, revenue from continuing operations of approximately RMB54,465,000, RMB44,078,000 and RMB40,269,000, respectively, was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains, net is as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
REVENUE			
Food ingredients	263,326	303,969	312,169
Food additives	180,588	188,586	211,580
Packaging materials	<u>12,139</u>	<u>8,731</u>	<u>4,186</u>
	<u>456,053</u>	<u>501,286</u>	<u>527,935</u>
Other income and gains, net			
Bank interest income	494	395	469
Government grants*	1,408	2,302	2,381
Service fee	1,245	—	—
Consultancy service income	—	—	146
Others	<u>173</u>	<u>100</u>	<u>461</u>
	<u>3,320</u>	<u>2,797</u>	<u>3,457</u>

* There were no unfulfilled conditions and other contingencies attaching to government grants that had been recognised.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<i>Notes</i>	Year ended 31 December		
		2015	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(a) Cost of sales:				
Cost of inventories sold		<u>383,096</u>	<u>424,714</u>	<u>442,727</u>
(b) Employee benefit expenses (excluding directors' and chief executive's remuneration (<i>note 8</i>)):				
Wages and salaries		7,307	13,207	15,923
Pension scheme contributions		2,542	3,075	4,286
Other welfare		<u>660</u>	<u>632</u>	<u>469</u>
		<u>10,509</u>	<u>16,914</u>	<u>20,678</u>
(c) Other items:				
Depreciation	<i>13</i>	466	448	388
Amortisation of other intangible assets	<i>14</i>	1	14	96
Research and development costs:				
Current year expenditure		1,602	2,055	1,967
Minimum lease payments under operating leases		2,395	2,940	3,379
Auditor's remuneration		811	554	2,348
Transportation expenses		5,065	5,545	5,689
Travel expenses		1,397	1,234	1,453
Foreign exchange differences, net		1,923	1,535	677
Impairment of trade and other receivables		—	—	900
Write-down of inventories to net realisable value		—	82	1,638
Bank interest income		(494)	(395)	(469)
Net loss on disposal of inventory		<u>—</u>	<u>—</u>	<u>105</u>

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans and other borrowings	<u>1,872</u>	<u>1,764</u>	<u>2,102</u>

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration of the Group for the Relevant Periods, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	102	370	497
Pension scheme contributions	27	36	38
	<u>129</u>	<u>406</u>	<u>535</u>

(a) Independent non-executive directors

The Company did not have any independent non-executive directors at any time during the Relevant Periods. The Company has identified Mr. Chan Ka Kit, Mr. Tan Wee Seng and Mr. Meng Yuecheng as independent non-executive directors of the Company as at the date of this report.

(b) Executive directors, a non-executive director and the chief executive

	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000
2015			
Executive director:			
Mr. Li Junkui	<u>102</u>	<u>27</u>	<u>129</u>
	<u>102</u>	<u>27</u>	<u>129</u>
2016			
Executive director:			
Mr. Li Junkui	<u>370</u>	<u>36</u>	<u>406</u>
	<u>370</u>	<u>36</u>	<u>406</u>
2017			
Executive director:			
Mr. Li Junkui	370	33	403
Non-executive director:			
Ms. Huang Xinrong	<u>127</u>	<u>5</u>	<u>132</u>
	<u>497</u>	<u>38</u>	<u>535</u>

Mr. Huang Haixiao was appointed as the Company's executive director and chief executive on 26 November 2015. Ms. Huang Xinrong was appointed as a non-executive director on 30 October 2017. Mr. Li Junkui was appointed as an executive director on 30 October 2017.

There was no emoluments payable to the independent non-executive directors. There was RMB30,810 emoluments payable to the executive director on 31 December 2017 (2016: nil; 2015: nil).

There were no arrangements under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year ended 31 December 2017 included one director (2016: one; 2015: one), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2016: four; 2015: four) highest paid employees who are neither a director nor a chief executive of the Company are as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	701	1,631	1,411
Pension scheme contributions	198	221	309
	<u>899</u>	<u>1,852</u>	<u>1,720</u>

The number of non-director and non-chief executive, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees		
	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>	<u>4</u>

10. INCOME TAX EXPENSE

The major components of income tax expense of the Group during the Relevant Periods are as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Current income tax in the PRC	11,458	10,471	11,413
Deferred (note 22)	225	(21)	(204)
Total tax charge for the year	<u>11,683</u>	<u>10,450</u>	<u>11,209</u>

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Company and certain of its subsidiaries are not subject to any income tax in the Cayman Islands and BVI.

The provision for current income tax in the PRC is based on a statutory rate of 25% of the assessable profits of subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

The statutory tax rate for subsidiaries in Hong Kong is 16.5%. No Hong Kong profits tax on the Group's subsidiary has been provided as there is no assessable profit arising in Hong Kong during the Relevant Periods.

A reconciliation of the tax expense applicable to profit before tax using the statutory rate in Mainland China to the tax expense at the effective tax rates is as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Profit before tax	44,182	40,334	38,499
Tax at PRC statutory tax rate of 25%	11,045	10,083	9,625
Adjustments in respect of current tax of previous years	—	—	79
Tax effect of non-deductible expenses	207	79	185
Tax effect of tax rate difference between PRC and overseas entities	9	287	731
Tax losses not recognised	422	1	589
Total tax charge for the year	11,683	10,450	11,209

The effective tax rates of the Group were 26.4%, 25.9% and 29.1% for the years ended 31 December 2015, 2016 and 2017, respectively.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on a merger basis as disclosed in note 2.1 above.

12. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

The dividends declared by the Company's subsidiaries to the then shareholders during the Relevant Periods before the Reorganisation are as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Dividends declared	37,000	—	59,013

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
31 December 2015				
At 31 December 2014 and 1 January 2015:				
Cost	248	548	1,211	2,007
Accumulated depreciation	<u>(92)</u>	<u>(367)</u>	<u>(630)</u>	<u>(1,089)</u>
Net carrying amount	<u>156</u>	<u>181</u>	<u>581</u>	<u>918</u>
At 1 January 2015,				
net of accumulated depreciation	156	181	581	918
Additions	13	—	356	369
Depreciation provided during the year	<u>(58)</u>	<u>(111)</u>	<u>(297)</u>	<u>(466)</u>
At 31 December 2015, net of accumulated depreciation	<u>111</u>	<u>70</u>	<u>640</u>	<u>821</u>
At 31 December 2015:				
Cost	261	548	1,567	2,376
Accumulated depreciation	<u>(150)</u>	<u>(478)</u>	<u>(927)</u>	<u>(1,555)</u>
Net carrying amount	<u>111</u>	<u>70</u>	<u>640</u>	<u>821</u>
31 December 2016				
At 31 December 2015 and 1 January 2016:				
Cost	261	548	1,567	2,376
Accumulated depreciation	<u>(150)</u>	<u>(478)</u>	<u>(927)</u>	<u>(1,555)</u>
Net carrying amount	<u>111</u>	<u>70</u>	<u>640</u>	<u>821</u>
At 1 January 2016,				
net of accumulated depreciation	111	70	640	821
Additions	—	—	207	207
Depreciation provided during the year	<u>(49)</u>	<u>(46)</u>	<u>(353)</u>	<u>(448)</u>
At 31 December 2016,				
net of accumulated depreciation	<u>62</u>	<u>24</u>	<u>494</u>	<u>580</u>
At 31 December 2016:				
Cost	261	548	1,774	2,583
Accumulated depreciation	<u>(199)</u>	<u>(524)</u>	<u>(1,280)</u>	<u>(2,003)</u>
Net carrying amount	<u>62</u>	<u>24</u>	<u>494</u>	<u>580</u>

	Machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2017				
At 31 December 2016 and 1 January 2017:				
Cost	261	548	1,774	2,583
Accumulated depreciation	<u>(199)</u>	<u>(524)</u>	<u>(1,280)</u>	<u>(2,003)</u>
Net carrying amount	<u><u>62</u></u>	<u><u>24</u></u>	<u><u>494</u></u>	<u><u>580</u></u>
At 1 January 2017,				
net of accumulated depreciation	62	24	494	580
Additions	3	252	270	525
Depreciation provided during the period	<u>(48)</u>	<u>(37)</u>	<u>(303)</u>	<u>(388)</u>
At 31 December 2017,				
net of accumulated depreciation	<u><u>17</u></u>	<u><u>239</u></u>	<u><u>4,616</u></u>	<u><u>717</u></u>
At 31 December 2017:				
Cost	264	720	2,044	3,028
Accumulated depreciation	<u>(247)</u>	<u>(481)</u>	<u>(1,581)</u>	<u>(2,311)</u>
Net carrying amount	<u><u>17</u></u>	<u><u>239</u></u>	<u><u>461</u></u>	<u><u>717</u></u>

14. OTHER INTANGIBLE ASSETS

	Software <i>RMB'000</i>
31 December 2015	
Cost at 1 January 2015, net of accumulated amortisation	—
Additions during the year	30
Amortisation provided during the year	<u>(1)</u>
At 31 December 2015	<u><u>29</u></u>
At 31 December 2015 and at 1 January 2016:	
Cost	30
Accumulated amortisation	<u>(1)</u>
Net carrying amount	<u><u>29</u></u>
31 December 2016	
Cost at 1 January 2016, net of accumulated amortisation	29
Additions during the year	66
Amortisation provided during the year	<u>(14)</u>
At 31 December 2016	<u><u>81</u></u>
At 31 December 2016 and at 1 January 2017:	
Cost	96
Accumulated amortisation	<u>(15)</u>
Net carrying amount	<u><u>81</u></u>
31 December 2017	
Cost at 1 January 2017, net of accumulated amortisation	81
Additions during the period	15
Amortisation provided during the year	<u>(96)</u>
At 31 December 2017	<u><u>—</u></u>
At 31 December 2017:	
Cost	111
Accumulated amortisation	<u>(111)</u>
Net carrying amount	<u><u>—</u></u>

15. INVENTORIES

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Food ingredients	14,902	28,086	19,894
Food additives	29,012	24,775	17,950
Packaging materials	<u>25</u>	<u>1,209</u>	<u>62</u>
	43,939	54,070	37,906
Provision for inventories	<u>—</u>	<u>(82)</u>	<u>—</u>
	<u>43,939</u>	<u>53,988</u>	<u>37,906</u>

16. TRADE AND BILLS RECEIVABLES

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Trade receivables	67,657	74,445	76,949
Bills receivable	4,457	2,882	9,584
Impairment	<u>—</u>	<u>—</u>	<u>(900)</u>
Trade and bills receivables	<u>72,114</u>	<u>77,327</u>	<u>85,633</u>

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Within 3 months	71,689	73,876	83,324
3 to 6 months	413	1,228	2,059
Over 6 months	<u>12</u>	<u>2,223</u>	<u>250</u>
	<u>72,114</u>	<u>77,327</u>	<u>85,633</u>

The aged analysis of the trade and bills receivables that are not individually or collectively considered to be impaired is as follows:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	71,689	73,876	83,324
Less than 1 year past due	<u>425</u>	<u>3,451</u>	<u>2,309</u>
	<u><u>72,114</u></u>	<u><u>77,327</u></u>	<u><u>85,633</u></u>

Receivables that were neither past due nor impaired relate to diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The carrying amounts of the trade receivables approximate to their fair values due to their relatively short maturity term.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Advances to suppliers	11,268	15,828	5,619
Prepaid lease for buildings	271	547	768
Rental deposits	132	198	157
Advances to employees	268	105	47
Deductible input VAT	1,782	1,175	133
Others	<u>1,120</u>	<u>1,832</u>	<u>4,012</u>
	<u><u>14,841</u></u>	<u><u>19,685</u></u>	<u><u>10,736</u></u>

Company

Others	<u>—</u>	<u>396</u>	<u>—</u>
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None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS**Group**

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	36,706	46,528	107,645
Less: Pledged time deposits:			
Pledged for letters of credit	<u>(6,491)</u>	<u>(6,700)</u>	<u>(18,955)</u>
Cash and cash equivalents	<u>30,215</u>	<u>39,828</u>	<u>88,690</u>

Company

Cash and cash equivalents	<u>—</u>	<u>—</u>	<u>4</u>
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At 31 December 2015, 2016 and 2017, the cash and bank balances of the Group denominated in RMB amounted to RMB30,128,000, RMB37,727,000 and RMB86,278,000, respectively.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

An aged analysis of the outstanding trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	24,383	34,087	38,209
3 to 6 months	—	16	7
6 to 12 months	59	14	3
Over 1 year	<u>—</u>	<u>75</u>	<u>175</u>
	<u>24,442</u>	<u>34,192</u>	<u>38,394</u>

The trade payables are non-interest-bearing and are normally settled on terms of 7 to 90 days.

20. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Advances from customers	2,729	2,742	1,364
Payroll and welfare payable	973	3,201	4,003
Logistics related expenses	1,266	2,357	4,010
Other tax payables	177	91	1,083
Accrued listing expenses	—	—	3,998
Other payables	23	86	237
	<u>5,168</u>	<u>8,477</u>	<u>14,695</u>

Company

Accrued listing expenses	<u>—</u>	<u>—</u>	<u>1,682</u>
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Other payables and accruals are non-interest-bearing.

21. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	As at 31 December 2015		
	Effective	Maturity	RMB'000
	interest rate (%)		
Current			
Other borrowings — unsecured	6.15	March 2016	<u>30,000</u>

	As at 31 December 2016		
	Effective	Maturity	RMB'000
	interest rate (%)		
Non-current			
Other borrowings — unsecured	5.7	April 2019	<u>40,000</u>

	As at 31 December 2017		
	Effective	Maturity	RMB'000
	interest rate (%)		
Non-current			
Other borrowings — unsecured	5.22	April 2019	<u>40,000</u>

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Analysis into:			
Bank loans repayable:			
Within one year or on demand	—	—	—
Other borrowings repayable:			
Within one year or on demand	30,000	—	—
In the second year	—	—	40,000
In the third to fifth years, inclusive	—	40,000	—
	<u>30,000</u>	<u>40,000</u>	<u>40,000</u>
	<u>30,000</u>	<u>40,000</u>	<u>40,000</u>

Notes:

- (a) All borrowings are denominated in RMB at the end of each of the Relevant Periods.
- (b) The Group's other borrowings are unsecured. The Group withdrew the borrowings from a bank under a three-party entrusted loan agreement, where a related party or a third party agreed to provide the borrowings for the Group.

22. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

Deferred tax assets

	Impairment of receivables RMB'000	Accruals RMB'000	Provision for inventories RMB'000	Total RMB'000
At 1 January 2015	—	225	—	225
Deferred tax charged to profit or loss during the year (note 10)	<u>—</u>	<u>(225)</u>	<u>—</u>	<u>(225)</u>
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December 2015	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 1 January 2016				
Deferred tax credited to profit or loss during the year (note 10)	<u>—</u>	<u>—</u>	<u>21</u>	<u>21</u>
Gross deferred tax assets recognised in the consolidated statements of financial position at 31 December 2016	<u>—</u>	<u>—</u>	<u>21</u>	<u>21</u>
At 1 January 2017	—	—	21	21
Deferred tax credited to profit or loss during the period (note 10)	<u>225</u>	<u>—</u>	<u>(21)</u>	<u>204</u>
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December 2017	<u>225</u>	<u>—</u>	<u>—</u>	<u>225</u>

The Group had unused tax losses available for offsetting against future profits in respect of certain subsidiaries of RMB1,689,000, RMB1,693,000 and RMB4,051,000 as at 31 December 2015, 2016 and 2017, respectively, for which no deferred tax assets have been recognised. No deferred tax assets have been recognised in respect of these losses because it is uncertain that there are future available taxable profits of these subsidiaries to utilise the tax losses.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributable by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Under the current organisation and operation structure, the Group's applicable rate is 10%.

As of 31 December 2015, 2016 and 2017, no deferred tax liability has been recognised for withholding taxes that would be payable on unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings to foreign entities in the foreseeable future.

The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised were approximately RMB48,781,000, RMB78,200,000 and RMB48,507,000 as at 31 December 2015, 2016 and 2017, respectively.

23. SHARE CAPITAL

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Authorised:			
38,000,000 shares of HK\$0.01 each	318	318	318
Issued:			
2,000 shares of HK\$0.01 each	—	—	—
Fully paid:			
2,000 shares of HK\$0.01 each	—	—	—

A summary of movements in the Company's share capital is as follows:

	Number of shares	Share capital RMB
At 1 January 2014 and 31 December 2014 and 1 January 2015	—	—
Issue of new shares	1	—
At 31 December 2015	1	—
At 1 January 2016 and 31 December 2016 and 1 January 2017	1	—
Issue of new shares	1,999	18
At 31 December 2017	2,000	18

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 26 November 2015 with an authorised share capital of HK\$380,000 divided into shares of 38,000,000 shares of HK\$0.01 each. On 15 May 2015, the Company issued 1 ordinary share to Shineroad Group Limited, which is wholly owned by the Controlling Shareholder, at par value of HK\$0.01.

On 3 May 2017, the Company issued 999 ordinary shares of HK\$0.01 each to the shareholder of the Company as fully paid at US\$14,515 per share with a total consideration of US\$14,500,000, equivalent to RMB99,771,000. The excess of consideration of US\$14,500,000 over the par value of HK\$10 of the Company's issued ordinary shares was credited to the share premium.

On 15 June 2017, the Company issued 1,000 ordinary shares of HK\$0.01 each to the shareholder of the Company as fully paid at US\$2,400 per share with a total consideration of US\$2,400,000, equivalent to RMB16,063,000. The excess of consideration of US\$2,400,000 over the par value of HK\$10 of the Company's issued ordinary shares was credited to the share premium.

24. RESERVES

(a) Group

The amount of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group.

Share premium

The share premium of the Group represents the amount paid by shareholders for capital injection in excess of its nominal value. Details of the movements in the share premium are set out in the consolidated statements of changes in equity.

Merger reserve

The merger reserve of the Group represents the reserve arose pursuant to the Reorganisation as mentioned in note 2.1 to the Historical Financial Information. Details of the movements in the merger reserve are set out in the consolidated statements of changes in equity.

Statutory reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(b) Company

	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Total comprehensive loss for the year	—	(1)	(34)	(35)
As at 31 December 2015	<u>—</u>	<u>(1)</u>	<u>(34)</u>	<u>(35)</u>
Total comprehensive loss for the year	—	(40)	(1,150)	(1,190)
As at 31 December 2016	<u>—</u>	<u>(41)</u>	<u>(1,184)</u>	<u>(1,225)</u>
Total comprehensive loss for the year	—	(5,364)	(2,899)	(8,263)
Issue of new shares	<u>115,834</u>	<u>—</u>	<u>—</u>	<u>115,834</u>
As at 31 December 2017	<u>115,834</u>	<u>(5,405)</u>	<u>(4,083)</u>	<u>106,346</u>

25. NOTES TO THE STATEMENT OF CASH FLOWS

The table below details the cash flows and non-cash changes in the Group's liabilities arising from financing activities. Except as disclosed below, there were no non-cash changes in the Group's liabilities arising from financing activities.

	Amounts due to related parties- non trade related <i>RMB'000</i>	Interest-bearing bank loans and other borrowings <i>RMB'000</i>	Dividends payable <i>RMB'000</i>	Payables related to purchases of subsidiaries <i>RMB'000</i>	Payables related to new paid-in capital <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2015	—	36,800	—	—	—	36,800
Financing cash flows	—	(8,672)	(37,000)	(7,164)	—	(52,836)
<i>Non-cash changes</i>						
Business combination under common control	—	—	—	7,164	—	7,164
Interest accrued	—	1,872	—	—	—	1,872
Dividends declared	—	—	37,000	—	—	37,000
At 31 December 2015 and 1 January 2016	—	30,000	—	—	—	30,000
Financing cash flows	—	8,236	—	(5,558)	522	3,200
<i>Non-cash changes</i>						
Business combination under common control	—	—	—	5,558	—	5,558
New registered capital issued to minority shareholder	—	—	—	—	(522)	(522)
Interest accrued	—	1,764	—	—	—	1,764
At 31 December 2016 and 1 January 2017	—	40,000	—	—	—	40,000
Financing cash flows	—	(2,102)	(59,013)	(39,000)	115,834	15,719
<i>Non-cash changes</i>						
Business combination under common control	—	—	—	39,000	—	39,000
Issue of new shares	—	—	—	—	(115,834)	(115,834)
Interest accrued	—	2,102	—	—	—	2,102
Dividends declared	—	—	59,013	—	—	59,013
At 31 December 2017	—	40,000	—	—	—	40,000

26. CONTINGENT LIABILITIES

As at 31 December 2015, 2016 and 2017, the Group had no significant contingent liabilities.

27. COMMITMENTS**(a) Capital commitments**

At the end of each of the Relevant Periods, the Group did not have any significant capital commitments.

(b) Operating lease arrangements*As lessee*

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	2,665	1,814	2,684
In the second to fifth years, inclusive	<u>2,346</u>	<u>499</u>	<u>4,227</u>
	<u><u>5,011</u></u>	<u><u>2,313</u></u>	<u><u>6,911</u></u>

28. PLEDGE OF ASSETS

Details of the Group's pledge of assets are included in note 18 to the Historical Financial Information

29. RELATED PARTY TRANSACTIONS**(a) Related parties**

Related parties for the years ended 31 December 2015, 2016 and 2017 were as follows:

Name	Relationship
Shanghai Shineroad Industries Development Co., Ltd.	Controlled by the Controlling Shareholder
Shanghai Hi-Road Food Technology Co., Ltd.	Controlled by the Controlling Shareholder
Zhejiang Teaheals Bio-technology Co., Ltd.	Controlled by the Controlling Shareholder
Shineroad Foods (India) Pvt. Ltd.	Controlled by the Controlling Shareholder
Shanghai Hi-morse Food Additives Co., Ltd.	Controlled by the Controlling Shareholder
Wenzhou Shineroad Food Additives Co.,Ltd. (resolved in 2015)	Controlled by the Controlling Shareholder
Crown Fortune Investment Limited	Controlled by the Controlling Shareholder
Mr. Huang Haixiao	Controlling Shareholder
Mr. Huang Haibo	Sibling of the Controlling Shareholder
Mrs. Huang Xiaodan	Sibling of the Controlling Shareholder

(b) Related party transactions

The following transactions were carried out with related parties during the Relevant Periods:

	Notes	Year ended 31 December		
		2015 RMB'000	2016 RMB'000	2017 RMB'000
Sales of products:				
Shanghai Hi-Road Food Technology Co., Ltd.	(i)	7,213	3,455	6,629
Zhejiang Teaheals Bio-technology Co., Ltd.	(i)	5	58	23
Shanghai Hi-morse Food Additives Co., Ltd.	(i)	1,028	1,629	963
Shanghai Shineroad Industries Development Co., Ltd.	(iii)	24,541	—	—
		<u>32,787</u>	<u>5,142</u>	<u>7,615</u>
Purchase of goods:				
Shanghai Hi-Road Food Technology Co., Ltd.	(ii)	276	129	160
Zhejiang Teaheals Bio-technology Co., Ltd.	(ii)	7,846	12,807	20,517
Shanghai Hi-morse Food Additives Co., Ltd.	(ii)	2,446	3,021	2,184
Wenzhou Shineroad Food Additives Co., Ltd.	(ii)	405	—	—
Shineroad Foods (India) Pvt. Ltd.	(ii)	1,411	—	—
Shanghai Shineroad Industries Development Co., Ltd.	(iii)	14,341	—	—
		<u>26,725</u>	<u>15,957</u>	<u>22,861</u>
Services provided:				
Shanghai Shineroad Industries Development Co., Ltd.	(iv)	1,245	—	—
		<u>1,245</u>	<u>—</u>	<u>—</u>
Rental expenses:				
Shanghai Hi-morse Food Additives Co., Ltd.	(v)	160	159	171
Mr. Huang Haixiao	(vi)	640	640	631
		<u>800</u>	<u>799</u>	<u>802</u>
Advances of loans to a related party:				
Shanghai Shineroad Industries Development Co., Ltd.	(vii)	20,000	—	—
		<u>20,000</u>	<u>—</u>	<u>—</u>
Repayment of loans from a related party:				
Shanghai Shineroad Industries Development Co., Ltd.	(vii)	42,000	—	—
		<u>42,000</u>	<u>—</u>	<u>—</u>
Proceeds from bank loans and other borrowings:				
Shanghai Shineroad Industries Development Co., Ltd.	(viii)	—	30,000	—
Mrs. Huang Xiaodan	(ix)	—	10,000	—
		<u>—</u>	<u>40,000</u>	<u>—</u>
Repayment of bank loans and other borrowings:				
Shanghai Shineroad Industries Development Co., Ltd.	(viii)	—	(30,000)	—
Mr. Huang Haibo	(x)	—	(30,000)	—
Mrs. Huang Xiaodan	(ix)	—	(10,000)	—
		<u>—</u>	<u>(70,000)</u>	<u>—</u>

Notes:

- (i) The sales to the related parties were made according to the published prices and conditions offered to the major customers of the Group.
- (ii) The purchases from the related parties were made according to the published prices and conditions offered by the related parties to their major customers.
- (iii) The sales to and purchases from Shanghai Shineroad Industries Development Co., Ltd. were made according to the cost prices and with a credit period of about one year.
- (iv) The service income to Shanghai Shineroad Industries Development Co., Ltd. was derived from the consultant service on marketing provided by the Group in 2015.
- (v) During the Relevant Periods, the Group rented the office building located in No. 666 Jindou Road, Shanghai with a total building area of 585.1 square metres at a monthly rental fee of RMB13,000 for the period from 1 January 2015 to 31 August 2016, and with a total building area of 641.1 square metres at a monthly rental fee of RMB15,000 for the period from 1 September 2016 to 31 December 2019, respectively, from Shanghai Hi-morse Food Additives Co., Ltd..
- (vi) During the Relevant Periods, the Group rented the office building located in Floor 25, No. 1, Lane 1040, Caoyang Road, Shanghai with a total building area of 584.26 square metres at a monthly rental fee of RMB53,000 with a lease period from 1 July 2014 to 30 June 2020 from Mr. Huang Haixiao.
- (vii) The Group provided the loans RMB20 million in 2015, to Shanghai Shineroad Industries Development Co., Ltd. to supply the working capital. The loans were interest-free and were agreed to be repaid within one year. Shanghai Shineroad Industries Development Co., Ltd. repaid the loans of RMB42 million in 2015.
- (viii) The Group acquired the loans of RMB10 million and RMB20 million from Shanghai Shineroad Industries Development Co., Ltd. to supply the working capital on 4 January 2016 and 16 February 2016, respectively. The loans were interest-free and were agreed to be repaid by 31 December 2016. The Group repaid the loans of RMB10 million, RMB5 million, RMB5 million, RMB5 million and RMB5 million on 22 June 2016, 1 August 2016, 28 October 2016, 16 November 2016 and 29 November 2016, respectively.
- (ix) The Group acquired the loans of RMB5 million and RMB5 million from Mrs. Huang Xiaodan to supply the working capital on 28 March 2016 and 29 March 2016, respectively. The loans were interest-free and with a fixed term of repayment of one month. The Group fully repaid the loans on 26 April 2016.
- (x) The Group repaid the other borrowings of RMB30 million to the bank in March 2016, which was withdrawn from the bank under a three-party entrusted loan agreement where Mr. Huang Haibo agreed to provide the borrowings.

(c) Other transactions with related parties

- (i) The Group obtained a facility from China Construction Bank Corporation (“CCBC”) for a term of 5 years from 24 March 2014 for the issuance of letters of credit and overseas payments. To secure the repayment of the facility, Shanghai Hi-Road Food Technology Co., Ltd. provided a guarantee of RMB 30 million in favour of CCBC on March 2014. The Group stopped issuing the letters of credit under this facility in the middle of 2015, and the facility and the guarantee were released on 17 May 2017. As at 31 December 2014, the Group issued the letters of credit of USD5,189,000 with a pledged deposit of RMB12,911,000 under the facility.
- (ii) The Group obtained the facility from CCBC for a term of 5 years from 13 May 2013 for trading and financing purpose. To secure the repayment of the facility, Mr. Huang Haixiao provided a guarantee of RMB10,370,000 by pledging his property in favour of CCBC on 13 May 2013.

The Group obtained the facility from CCBC for a term of 5 years from 10 June 2015 for trading and financing purpose. To secure the repayment of the facility, Ms. Huang Xinrong provided a guarantee of RMB11,000,000 by pledging her property in favour of CCBC on 10 June 2015.

The Group obtained the facility from CCBC for the terms covered from 27 October 2015 to 1 November 2017 for overseas payments and financing purpose. To secure the repayment of the facility, Shanghai Shineroad Industries Development Co., Ltd. provided the credit guarantees of USD5,380,000, USD4,850,000, USD4,800,000 and USD4,510,000 in favour of CCBC for each of the half year during the covered period.

At 31 December 2015, 2016 and 2017, the Group issued the letters of credit of USD2,649,000, USD3,043,000 and USD3,495,000 with a pledged deposit of RMB6,491,000, RMB6,700,000 and RMB18,955,000 respectively, under the facilities and the guarantees above.

(d) Balances with related parties

The Group had the following significant balances with its related parties at the end of each of the Relevant Periods:

(i) Due from related parties:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Shanghai Hi-Road Food Technology Co., Ltd.	65	65	—
Zhejiang Teaheals Bio-technology Co., Ltd.	15	9	—
Shanghai Hi-morse Food Additives Co., Ltd.	14	22	—
Shanghai Shineroad Industries Development Co., Ltd.	4,293	—	—
	<u>4,387</u>	<u>96</u>	<u>—</u>

Amounts due from the related parties were trade related and with agreed terms of repayment, which was derived from the transaction disclosed in note 29(b)(vii).

(ii) *Due to related parties:*

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Shanghai Hi-Road Food Technology Co., Ltd.	53	706	114
Zhejiang Teaheals Bio-technology Co., Ltd.	—	2,890	1,947
Shanghai Hi-morse Food Additives Co., Ltd.	166	422	111
Crown Fortune Investment Limited	2,340	6,174	—
Shanghai Shineroad Industries Development Co., Ltd.	17,740	925	—
Mrs. Huang Xiaodan	2,937	—	—
	<u>23,236</u>	<u>11,117</u>	<u>2,172</u>

Amounts due to the related parties were trade related and with agreed terms of repayment except for the amount due to Crown Fortune Investment Limited, which was non trade related, interest-free, unsecured and with no fixed terms of repayment.

(iii) *Due to the Controlling Shareholder:*

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Mr. Huang Haixiao	<u>1,323</u>	<u>1,174</u>	<u>—</u>

The amount due to the Controlling Shareholder was interest-free, unsecured and had no fixed terms of repayment.

(e) **Compensation of key management personnel of the Group:**

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Short term employee benefits	387	1,024	1,026
Post-employment benefits	<u>98</u>	<u>139</u>	<u>113</u>
	<u>485</u>	<u>1,163</u>	<u>1,139</u>

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2015*Financial assets*

	Loans and receivables <i>RMB'000</i>
Trade and bills receivables	72,114
Financial assets included in prepayments, deposits and other receivables	1,791
Amounts due from related parties	4,387
Pledged deposits	6,491
Cash and cash equivalents	<u>30,215</u>
	<u><u>114,998</u></u>

Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Trade payables	24,442
Financial liabilities included in other payables and accruals	1,289
Interest-bearing bank loans and other borrowings	30,000
Amounts due to related parties	23,236
Amount due to the Controlling Shareholder	<u>1,323</u>
	<u><u>80,290</u></u>

As at 31 December 2016*Financial assets*

	Loans and receivables <i>RMB'000</i>
Trade and bills receivables	77,327
Financial assets included in prepayments, deposits and other receivables	2,682
Amounts due from related parties	96
Pledged deposits	6,700
Cash and cash equivalents	<u>39,828</u>
	<u><u>126,633</u></u>

Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Trade payables	34,192
Financial liabilities included in other payables and accruals	2,443
Interest-bearing bank loans and other borrowings	40,000
Amounts due to related parties	11,117
Amount due to the Controlling Shareholder	<u>1,174</u>
	<u><u>88,926</u></u>

As at 31 December 2017

Financial assets

	Loans and receivables <i>RMB'000</i>
Trade and bills receivables	85,633
Financial assets included in prepayments, deposits and other receivables	5,117
Pledged deposits	18,955
Cash and cash equivalents	<u>88,690</u>
	<u><u>198,395</u></u>

Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Trade payables	38,394
Financial liabilities included in other payables and accruals	8,245
Interest-bearing bank loans and other borrowings	40,000
Amounts due to related parties	<u>2,172</u>
	<u><u>88,811</u></u>

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		
	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and other borrowings	<u>30,000</u>	<u>40,000</u>	<u>40,000</u>
	Fair values		
	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and other borrowings	<u>30,000</u>	<u>40,665</u>	<u>40,140</u>

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related parties and an amount due to the Controlling Shareholder approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The non-current portion of interest-bearing bank and other borrowings is categorised within the fair value hierarchy as Level 3. The unobservable inputs that are significant to the fair value measurement are prepayment rate and loss given default. The higher the prepayment rate and loss given default, the lower the fair values. The Group's own non-performance risk for interest-bearing bank and other borrowings at the end of each of the Relevant Periods was assessed to be insignificant.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing loans. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax <i>RMB'000</i>	Increase (decrease)/ in equity <i>RMB'000</i>
As at 31 December 2015			
RMB	50	(113)	(113)
RMB	(50)	113	113
As at 31 December 2016			
RMB	50	(128)	(128)
RMB	(50)	128	128
As at 31 December 2017			
RMB	50	(150)	(150)
RMB	(50)	150	150

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from purchases by operating units in currencies other than the units' functional currencies. For 2017, approximately 89% (2016: 83%; 2015: 85%) of costs were denominated in the units' functional currencies.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit after tax and the Group's equity.

	Increase/ (decrease) in US dollar rate %	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity RMB'000
As at 31 December 2015			
If the RMB weakens against the US dollar	5	(649)	(649)
If the RMB strengthens against the US dollar	(5)	649	649
As at 31 December 2016			
If the RMB weakens against the US dollar	5	(973)	(973)
If the RMB strengthens against the US dollar	(5)	973	973
If the Hong Kong dollar weakens against the US dollar	5	(117)	(117)
If the Hong Kong dollar strengthens against the US dollar	(5)	117	117
As at 31 December 2017			
If the RMB weakens against the US dollar	5	(353)	(353)
If the RMB strengthens against the US dollar	(5)	353	353
If the Hong Kong dollar weakens against the US dollar	5	(67)	(67)
If the Hong Kong dollar strengthens against the US dollar	(5)	67	67

Credit risk

The Group trades only with recognised and creditworthy third parties and related parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from related parties, other receivables, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The Group's policy is to monitor regularly the current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	31 December 2015				
	On demand	Less than 3 months	3 to12 months	1 to 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	59	24,383	—	—	24,442
Financial liabilities included in other payables and accruals	—	1,289	—	—	1,289
Interest-bearing bank loans and other borrowings	—	30,421	—	—	30,421
Amounts due to related parties	23,236	—	—	—	23,236
Amount due to the Controlling Shareholder	1,323	—	—	—	1,323
	<u>24,618</u>	<u>56,093</u>	<u>—</u>	<u>—</u>	<u>80,711</u>
	31 December 2016				
	On demand	Less than 3 months	3 to12 months	1 to 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	105	34,087	—	—	34,192
Financial liabilities included in other payables and accruals	1,534	909	—	—	2,443
Interest-bearing bank loans and other borrowings	—	562	1,718	42,986	45,266
Amounts due to related parties	11,117	—	—	—	11,117
Amount due to the Controlling Shareholder	1,174	—	—	—	1,174
	<u>13,930</u>	<u>35,558</u>	<u>1,718</u>	<u>42,986</u>	<u>94,192</u>
	31 December 2017				
	On demand	Less than 3 months	3 to12 months	1 to 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	185	38,209	—	—	38,394
Financial liabilities included in other payables and accruals	3,511	4,734	—	—	8,245
Interest-bearing bank loans and other borrowings	—	526	1,562	41,647	42,735
Amounts due to related parties	2,172	—	—	—	2,172
	<u>5,868</u>	<u>43,469</u>	<u>1,562</u>	<u>41,647</u>	<u>91,546</u>

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is interest-bearing bank loans and other borrowings divided by total equity. Capital represents total equity. The gearing ratios as at the end of each Relevant Periods were as follows:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank loans and other borrowings	30,000	40,000	40,000
Total equity	<u>75,373</u>	<u>100,063</u>	<u>143,813</u>
Gearing ratio	<u>39.8%</u>	<u>40.0%</u>	<u>27.8%</u>

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2017.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with "Historical Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma data relating to our net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Share Offer on our net tangible assets as at 31 December 2017 as if the Share Offer had taken place on that date.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to the owners of the Company as at 31 December 2017 or any subsequent dates, including following the Share Offer.

	Consolidated net tangible assets of our Group attributable to the owners of the Company as at 31 December 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company	Unaudited pro forma adjusted net tangible assets per Share	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$ equivalent</i> <i>(Note 4)</i>
Based on an offer price of HK\$0.75 per Share	143,813	88,524	232,337	0.34	0.41

Notes:

1. The consolidated net tangible assets of our Group attributable to owners of the Company as of 31 December 2017 is extracted from "Appendix I — Accountants' Report" to this prospectus, which is based on the audited consolidated equity attributable to owners of the parent as of 31 December 2017 of RMB143,813,000 after deducting intangible assets of nil.
2. The estimated net proceeds from the Share Offer are based on an offer price of HK\$0.75 per Share after deduction of the underwriting fees and other related expenses payable by our Company and 170,000,000 Shares expected to be issued under the Share Offer.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 170,000,000 Shares are in issue assuming the Share Offer has been completed on 31 December 2017 and an Offer Price of HK\$0.75 per Share.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of RMB1.00 to HK\$1.22.

(B) LETTERS FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.

22nd Floor, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

To the Directors of Shineroad International Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Shineroad International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2017, and related notes as set out in Part A of Appendix II to this Prospectus issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in note in Part A of Appendix II to this Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Share Offer of shares of the Company on the Group’s financial position as at 31 December 2017. As part of this process, information about the Group’s financial position, has been extracted by the Directors from the Group’s financial statements for the period ended 31 December 2017, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “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*, 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 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 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 have compiled the 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 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 Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Share Offer of shares of the Company on unadjusted financial information of the Group as if 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 transaction would have been as presented.

A reasonable assurance engagement to report on whether the 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 Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the 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 Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Certified Public Accountants
Hong Kong

14 June 2018

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 November 2015 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 31 May 2018. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the 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 the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares 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. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly

authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

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*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) *Transfer of shares*

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be 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 transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor

shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided 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 register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) *Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the 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 as it thinks fit 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) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. 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 20% per annum as the Board shall fix from the day appointed for payment 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 money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, 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, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the 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 payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors**(i) *Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest 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 shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time 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 the 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 also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also 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 shall, in the exercise of the powers 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, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) 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 the Company shall be 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.

Neither the Company nor the Board shall be 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 whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) *Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) *Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, 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 shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the 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 former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present 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 or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the 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 for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, 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 the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have 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 proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the 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 proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) 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, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) *Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. 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 a second or casting vote.

(c) *Alterations to the constitutional documents and the Company's name*

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) *Meetings of member***(i) *Special and ordinary resolutions***

A special resolution of the 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 by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which 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.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) 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 share which is fully paid or credited as fully paid registered in his name in the register of

members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the 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 in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) *Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) *Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be 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, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(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, and continues to be present until the conclusion of the meeting.

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 the Company entitled to attend and vote at a meeting of the 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 the Company or at a class meeting. A proxy need not be a member of the Company and shall be 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 shall be 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 if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company 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 account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The 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.

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 of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) 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 members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members 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.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the 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.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the 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 the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction 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 the Company, whether the assets consist of property of one kind or 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 so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the 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 the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 26 November 2015 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also 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

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or 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 arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, 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.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so 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 are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. 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 member and, for the avoidance of doubt, 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; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, 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. In addition, 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 that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, 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, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has 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 the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member 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.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

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.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from 16 December 2015.

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 the 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.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in 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 member, 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 (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate 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 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a 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 the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall 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.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member 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 members.

(s) 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, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V. 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.

A. FURTHER INFORMATION ABOUT OUR COMPANY**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 26 November 2015. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 20 December 2017 and our principal place of business in Hong Kong is at Unit 6, 16/F, K. Wah Centre, 191 Java Road, Hong Kong. Loong & Yeung of Room 1603, 16th Floor, China Building, 29 Queen's Road Central, Central, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One Share was allotted and issued nil paid to the subscriber on 26 November 2015, which was subsequently transferred to Shineroad Group on the same date.
- (b) On 3 May 2017, 999 Shares was allotted and issued to Shineroad Group at the consideration of US\$14,500,000. Following completion of the said allotment and issue, our Company had a total of 1,000 Shares in issue and owned by Shineroad Group.
- (c) On 15 June 2017, 1,000 Shares was allotted and issued to Shineroad Group at the consideration of US\$2,400,000. Following completion of the said allotment and issue, our Company had a total of 2,000 Shares in issue and owned by Shineroad Group.
- (d) On 31 May 2018, our sole Shareholder resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$20,000,000 by the creation of 1,962,000,000 additional Shares, each ranking *pari passu* with the Shares then in issue in all respects.
- (e) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of any Share which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, 680,000,000 Shares will be issued fully paid or credited as fully paid, and 1,320,000,000 Shares will remain unissued.

- (f) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our sole Shareholder passed on 31 May 2018” in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (g) Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 31 May 2018

Pursuant to the written resolutions of our sole Shareholder passed on 31 May 2018, *inter alia*:

- (a) our Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix III to this prospectus;
- (b) 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\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by the creation of an additional of 1,962,000,000 Shares of HK\$0.01 each, each ranking *pari passu* with the existing Shares in all respects;
- (c) conditional on the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme 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 to rank *pari passu* with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” of this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any

options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK\$5,099,980 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 509,998,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 31 May 2018 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with our Shares then in issue, and our Directors were authorised to give effect to such capitalisation and distributions;
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Capitalisation Issue and the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares or options, warrants and to make or grant offers, agreements or options which might require the exercise of such power, with such number of Shares not exceeding 20% of the total number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the total number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the total number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” of this prospectus. Following the Reorganisation, our Company became the holding company of our Group.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report, the text of which is set forth in Appendix I to this prospectus. Save as mentioned in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” and Note 1 to the Accountants’ Report, there was no change in the share capital of the subsidiaries of our Company during the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 31 May 2018, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares representing up to 10% of the aggregate of the nominal value of the share capital in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Share which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares 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.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a “core connected person”, which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Exercise of the Repurchase Mandate*

The exercise in full of the Repurchase Mandate, on the basis of 680,000,000 Shares in issue after completion of the Capitalisation Issue and the Share Offer, could accordingly result in up to 68,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(d) *Funding of repurchase*

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) *General*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

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 repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence which may arise under the Takeovers Code as a result of a repurchase of Shares if made immediately after the Listing 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 (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts 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) an equity transfer agreement of Shanghai Shineroad Food Ingredients Co., Ltd.* (上海欣融食品原料有限公司股權轉讓協議) dated 7 February 2017 in Chinese entered into among Shineroad Industries, Mr. Huang, Mr. Kwan Ling Kun and Shineroad Food, pursuant to which Shineroad Industries, Mr. Huang and Mr. Kwan Ling Kun agreed to transfer its/his 96.525%, 2.475% and 1% equity interests in Shanghai Shineroad to Shineroad Food at considerations of US\$5,487,252.93, US\$140,698.80 and US\$56,848, respectively;
- (b) a subscription agreement in relation to shares in Shineroad International Holdings Limited dated 3 May 2017 entered into among Shineroad Group, our Company and Ms. XR Huang, pursuant to which Shineroad Group agreed to subscribe for and our Company agreed to allot and issue 999 Shares at the subscription price of US\$14,500,000;


- (c) an agreement for the sale and purchase of share(s) in Shineroad Group Limited dated 4 May 2017 entered into between Ocean Town (as purchaser) and Ms. XR Huang (as vendor), pursuant to which Ms. XR Huang agreed to transfer one share in Shineroad Group (representing the entire issued share capital in Shineroad Group) to Ocean Town at the consideration of US\$1;
- (d) an instrument of transfer dated 4 May 2017 entered into between Ocean Town and Ms. XR Huang in respect of the transfer of one share in Shineroad Group from Ms. XR Huang to Ocean Town;
- (e) a subscription agreement in relation to Shares in Shineroad International Holdings Limited dated 15 June 2017 entered into among Shineroad Group, our Company and Mr. Huang, pursuant to which Shineroad Group agreed to subscribe for and our Company agreed to allot and issue 1,000 Shares at the subscription price of US\$2,400,000;
- (f) the Deed of Non-competition;
- (g) the Deed of Indemnity;
- (h) a cornerstone investment agreement dated 11 June 2018 entered into between our Company, Victor High Limited, the Sole Sponsor and China Galaxy International, details of which are set out in the section headed “Cornerstone Investor” in this prospectus; and
- (i) the Public Offer Underwriting Agreement.


2. Intellectual property rights

(a) *Trademark*

As at the Latest Practicable Date, our Group had registered the following trademarks in the PRC and Hong Kong, which are material in relation to our business:

(i) *PRC*

Trademark	Class	Registration Number	Place of Registration	Registered Owner	Term
	29	3063312	PRC	Shanghai Shineroad	7 March 2013 to 6 March 2023
SHINEROAD	30	4412388	PRC	Shanghai Shineroad	14 June 2017 to 13 June 2027

Trademark	Class	Registration Number	Place of Registration	Registered Owner	Term
SHINEROAD	29	4412389	PRC	Shanghai Shineroad	14 June 2017 to 13 June 2027
	30	9456255	PRC	Shanghai Shineroad	21 April 2014 to 20 April 2024
	31	9456341	PRC	Shanghai Shineroad	14 July 2012 to 13 July 2022
	32	11797364	PRC	Shanghai Shineroad	7 May 2014 to 6 May 2024
	31	11797411	PRC	Shanghai Shineroad	7 May 2014 to 6 May 2024
	30	11797500	PRC	Shanghai Shineroad	7 May 2014 to 6 May 2024
	29	11797554	PRC	Shanghai Shineroad	7 May 2014 to 6 May 2024
	2	11243910	PRC	Shanghai Shineroad	14 December 2013 to 13 December 2023
	29	11255664	PRC	Shanghai Shineroad	21 December 2013 to 20 December 2023
	31	11255654	PRC	Shanghai Shineroad	21 December 2013 to 20 December 2023
	32	11255625	PRC	Shanghai Shineroad	21 December 2013 to 20 December 2023

Trademark	Class	Registration Number	Place of Registration	Registered Owner	Term
	32	11020036	PRC	Shanghai Shineroad	7 October 2013 to 6 October 2023
	33	11255212	PRC	Shanghai Shineroad	21 December 2013 to 20 December 2023
SHINEROAD	35	11255060	PRC	Shanghai Shineroad	21 December 2013 to 20 December 2023

(ii) *Hong Kong*

Trademark	Class	Registration Number	Registration Date	Place of Registration	Registered Owner
	29, 30, 32	304253904	28 August 2017	Hong Kong	Shineroad Food
					

(b) *Domain name*

As at the Latest Practicable Date, our Group has registered the following domain name:

Registrant	Domain Name	Registration Date	Expiry Date
Shanghai Shineroad	www.shineroad.com	11 September 2000	11 September 2026

3. Information about the PRC subsidiaries of our Group**(a) *Shanghai Shineroad Food Ingredients Co., Ltd.** (上海欣融食品原料有限公司)**

Date of establishment: 10 January 2011

Corporate nature: Limited liability company (wholly-owned by Taiwan, Hong Kong or Macau enterprise)

Total registered capital and paid-up capital: RMB80,202,000

Term: 10 January 2011 to 9 January 2061

Scope of business: Wholesale and import and export of food additives, pre-packaged food (excluding cooked stewed meat and refrigerated food) and dairy products (excluding infant formula milk powder); commission agency (excluding auction); technology services and consultations in the field of food technology (the items that require approvals under the laws should only be conducted upon obtaining the approvals from relevant authorities)

Legal representative: Mr. Huang Haixiao

(b) *Beijing Shineroad Food Additives Company Limited** (北京申欣融食品配料有限公司)

Date of establishment: 11 July 2011

Corporate nature: Limited liability company

Total registered capital and paid-up capital: RMB3,000,000

Term: 11 July 2011 to 10 July 2031

Scope of business: Wholesale of pre-packaged food and dairy products (excluding infant formula milk powder) (the hygienic licence will be expired on 22 July 2018); sales of food additives, equipment and facilities, fresh fruit, fresh vegetables, household appliances, electronic products, hardware and electrical equipment, stationery commodities, sport goods, knitwear and textile, garment, shoes and hats, arts and crafts, articles of daily use, kitchen utensils, furniture, flowers, grass and ornamental plants, fodder, building materials, mental materials, automobiles parts, medical equipment (type I only), chemical products (excluding hazardous chemicals); technology development, technology transfer, technology consultation and technology service; economic and trade consultation; investment management; enterprises planning; organising culture and art exchange; holding exhibitions; conference services; household services (1. raising fund in public manner is prohibited without the approvals by the relevant authorities; 2. public exchange activities of securities products and financial derivatives are prohibited; 3. providing loans is prohibited; 4. providing guarantee to enterprises other than its invested enterprises is prohibited; 5. promising to investors that investment principal would not be lost or with the minimum income are prohibited; and the items that require approvals under the laws should only be conducted upon obtaining the approvals from relevant authorities)

Legal representative: Mr. Huang Haixiao

(c) *Guangzhou Jieyang Food Technology Company Limited** (廣州捷洋食品科技有限公司)

Date of establishment: 16 November 2010

Corporate nature: Limited liability company

Total registered capital and paid-up capital: RMB3,000,000

Term: Long-term

Scope of business: Research services of food science technology (excluding items subject to permit or approval); wholesale and retail trade of commodities (excluding items subject to permit or approval); wholesale of chemical products (excluding hazardous chemicals), plastic products, food additives, petroleum products (excluding refined oil products and hazardous chemicals), tea leaves products, beverage crops and rubber products; retail of food additives; wholesale and retail of non-alcoholic beverage and tea; wholesale and retail of dairy products and pre-packaged food (the items that require approvals under the laws should only be conducted upon obtaining the approvals from relevant authorities)

Legal representative: Mr. Huang Haibo

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

- (a) Immediately following completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, 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 or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to

be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) *Long position in our Shares*

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Percentage of interest
Mr. Huang (Note)	Interest in controlled corporation	510,000,000	75.0%

(ii) *Long position in the ordinary shares of associated corporations*

Name of Director	Name of associated corporation	Capacity/ Nature	Number of shares held/ interested in	Percentage of interest
Mr. Huang	Ocean Town	Beneficial owner	1	100%
Mr. Huang	Shineroad Group	Interest in controlled corporation	1	100%

Note: Mr. Huang beneficially owns the entire issued share capital of Ocean Town, which beneficially owns the entire issued share capital of Shineroad Group. Therefore, each of Mr. Huang and Ocean Town is deemed to be interested in 510,000,000 Shares held by Shineroad Group for the purpose of the SFO.

- (b) So far as is known to our Directors and taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in 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 are, directly or indirectly, interested 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:

Our Company

Name	Capacity/Nature of interest	Number of Shares held/ Interested in	Percentage of interest
Ocean Town (Note 1)	Interest in controlled corporation	510,000,000	75.0%
Shineroad Group (Note 1)	Beneficial owner	510,000,000	75.0%
Ms. Chen (Note 2)	Interest of spouse	510,000,000	75.0%

Notes:

- Such 510,000,000 Shares are held by Shineroad Group as a registered holder. The entire issued share capital of Shineroad Group is wholly-owned by Ocean Town. Therefore, Ocean Town is deemed to be interested in 510,000,000 Shares held by Shineroad Group for the purpose of the SFO.
- Ms. Chen is the spouse of Mr. Huang and is therefore deemed to be interested in 510,000,000 Shares in which Mr. Huang has, or is deemed to have, for the purpose of the SFO.

2. Particulars of service contracts

Each of our Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party on the other. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of the Directors is entitled to their respective basic salaries.

No Director has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the three years ended 31 December 2017 were approximately RMB129,000, RMB406,000 and RMB535,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2018 will be approximately RMB1.5 million.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors

Mr. Huang Haixiao	Nil
Mr. Li Junkui	RMB800,000

Non-executive Directors

Ms. Huang Xin Rong	HK\$600,000
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Independent non-executive Directors

Mr. Tan Wee Seng	HK\$220,000
Mr. Chan Ka Kit	HK\$160,000
Mr. Meng Yuecheng	RMB50,000

4. Fees or commission received

Save as disclosed in the section headed "Underwriting" in this prospectus, none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under note 29 to the Accountants' Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “Consents of experts” in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “Consents of experts” in 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;
- (d) taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Share Offer, have any interest in Shares or underlying Shares 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 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;
- (e) none of our 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 of the associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, 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 he 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, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange; and

- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	31 May 2018, the date on which the Share Option Scheme is conditionally adopted by the sole Shareholder by way of written resolution
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth (10th) anniversary thereof

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 31 May 2018:

(a) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) *Who may join and basis of eligibility*

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, where required under the Listing Rules, our independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of our Group.

(c) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before listing.

(d) *Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(e) *Maximum number of Shares*

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options

in respect of up to 68,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 68,000,000 Shares from time to time) to the participants under the Share Option Scheme.

- (ii) The 10% limit as mentioned in the sub-paragraphs (i) above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the Listing Rules in this regard.
- (iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such specified grantees, the number and terms of such options to be granted and the purpose of granting options to such specified grantees with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(f) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such 1% limit must be separately approved by our Shareholders in general meeting with such participant and his close associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the participant, the number and terms of the options to be granted (and options previously granted to such person), and all other information

required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted to such participant must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) *Grant of options to certain connected persons*

Notwithstanding the aforesaid,

- (i) any grant of an option to a Director, chief executive or substantial Shareholder of our Company (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (ii) where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of 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 under the Share Option Scheme and any other share option schemes of our Company in any 12-month period up to and including the date of grant:
 - (a) representing in aggregate over 0.1% of the Shares in issue; and
 - (b) 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 at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by our Shareholders in the aforesaid manner.

(h) *Restrictions on the times of grant of options*

- (i) Our Company may not grant any options after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (b) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published:
 - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten (10) years from the date of grant subject to the provisions of early termination thereof.

(j) *Performance targets*

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(k) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) *Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) *Rights on cessation of employment by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three (3) years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) *Rights on cessation of employment by dismissal*

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(o) *Rights on cessation of employment for other reasons*

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (n) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three (3) months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, and in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(p) *Effects of alterations to share capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices of any unexercised option, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules (or any guideline or supplemental guideline as may be issued by the Stock Exchange from time to time), provided that any such alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as (but in any event shall not be greater than) that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value

(q) *Rights on a general offer*

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) *Rights on winding-up*

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two (2) Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(s) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two (2) Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon

become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(t) *Lapse of options*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the period referred to in paragraph (i) above;
- (ii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (o), (q), (r) or (s) above;
- (iii) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;
- (iv) the occurrence of any serious misconduct, act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (v) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (vi) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (vii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

(u) *Cancellation of options granted but not yet exercised*

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(v) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten (10) years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth (10th) anniversary thereof unless terminated earlier by our Shareholders in general meeting.

(w) *Alteration to the Share Option Scheme*

- (i) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.
- (ii) Any alteration to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme, must be approved by our Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(x) *Termination to the Share Option Scheme*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

3. Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in 68,000,000 Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Mr. Huang, Ocean Town and Shineroad Group (collectively, the “**Indemnifiers**”) have, under the Deed of Indemnity (being a contract referred to in paragraph headed “B. Further Information about the Business — 1. Summary of material contracts” in this appendix), irrevocably and unconditionally given joint and several indemnities to our Company (for ourselves and as trustee for our subsidiaries) in connection with, among other things:

- (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional;
- (b) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission, transaction, matter, thing or event entered into or occurring or deemed to enter into or occur on or before the date on which the Share Offer becomes unconditional;
- (c) any penalties, claims, actions, demands, proceedings, actions, judgments, losses, liabilities, damages, costs, administrative or other charges, fees, expenses and fines of whatever nature imposed on or suffered by or incurred by any member of our Group as a result of or in connection with (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings (whether criminal, administrative, contractual, tortious or otherwise) instituted by or against any member of our Group in relation to any act, non-performance, omission, events or otherwise occurred on or before the date on which the Share Offer becomes unconditional; and (ii) any non-compliance with the applicable laws, rules or regulations by any member of our Group (including but not limited to the non-compliance as disclosed in the section headed “Business — Litigations, claims and non-compliance” in this prospectus) on or before the date on which the Share Offer becomes unconditional except that provision, reserve or allowance has been made for such liabilities in the audited combined financial statements of our Company or any other member of our Group for the Track Record Period (if any); and

- (d) any liability for the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the Share Offer becomes unconditional.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for the taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited combined financial statements of any member of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of our Group after 31 December 2017 up to and including the date on which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Save as disclosed in the section headed “Business — Litigations, claims and non-compliance” in this prospectus, our Directors confirmed that as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application 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 herein (including any Shares falling to be issued pursuant to the exercise of any options under the Share Option Scheme).

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sole Sponsor, pursuant to which our Company agreed to pay HK\$4.1 million to the Sole Sponsor to act as the sponsor to our Company for purposes of the Share Offer.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are estimated to be approximately HK\$42,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Cinda International Capital Limited	a licenced corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
Ernst & Young	Certified Public Accountants
Beijing Dacheng Law Offices, LLP (Shanghai)	Legal advisers as to PRC law
Appleby	Legal advisers as to Cayman Islands law
Frost & Sullivan Limited	Independent industry consultant

7. Consents of experts

Each of Cinda International Capital Limited, Ernst & Young, Beijing Dacheng Law Offices, LLP (Shanghai), Appleby and Frost & Sullivan Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letters and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Taxation of holders 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. Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of our 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 our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts 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.

10. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 December 2017 (being the date to which the latest audited combined financial statements of our Group were made up) and there is no event since 31 December 2017 which would materially affect the information shown in our combined financial information included in the Accountants' Report set forth in Appendix I to this prospectus.

11. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of the 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 than cash;

- (ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;
 - (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or the subsidiaries;
 - (iv) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and
 - (v) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Save as disclosed in the section headed “Underwriting” in this prospectus, none of the parties listed in the paragraph headed “Consents of experts” in this appendix is interested legally or beneficially in any securities of our Company or any of its subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of its subsidiaries.
- (c) The branch register of members of our Company will be maintained in Hong Kong by our Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (d) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (e) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (f) Our Group has no outstanding convertible debt securities.
- (g) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law.
- (h) The English text of this prospectus shall prevail over the Chinese text.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in sections 4 and 5 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) copies of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about the Business — 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 7. Consents of experts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Loong & Yeung at Room 1603, 16/F, China Building, 29 Queen’s Road Central, 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 of Association;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information prepared by Ernst & Young, the texts of which are set out in Appendices I and II to this prospectus;
- (c) the audited combined financial statements of our Company as have been prepared for the companies comprising our Group for the three years ended 31 December 2017;
- (d) the PRC legal opinion prepared by Beijing Dacheng Law Offices, LLP (Shanghai), our PRC Legal Advisers, in respect of certain aspects of our Group as to the PRC law;
- (e) the letter of advice prepared by Appleby, our Cayman Islands legal adviser, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the Frost & Sullivan Report issued by Frost & Sullivan Limited;
- (g) the service contracts referred to in the paragraph headed “Particulars of service contracts” in Appendix IV to this prospectus;
- (h) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix IV to this prospectus;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
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- (i) the written consents referred to in the paragraph headed “Consents of experts” in Appendix IV to this prospectus;
- (j) the Companies Law; and
- (k) the Share Option Scheme.

Shineroad International Holdings Limited
欣融國際控股有限公司