

SATU HOLDINGS LIMITED

舍圖控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8392

Share Offer



Sole Sponsor



Sole Bookrunner and Lead Manager



Co-Lead Manager



IMPORTANT

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

Satu Holdings Limited

舍圖控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	: 250,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Public Offer Shares	: 25,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 225,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Offer Price	: Not more than HK\$0.24 per Offer Share and expected to be not less than HK\$0.20 per Offer Share (payable in full on application, subject to refund, plus brokerage fee of 1.00%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
Nominal value	: HK\$0.01 per Share
Stock code	: 8392

Sole Sponsor



Sole Bookrunner and Lead Manager



英皇證券(香港)有限公司
Emperor Securities Limited

Co-Lead Manager



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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, has been registered 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 Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is currently expected to be fixed by an agreement between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date, which is scheduled on or about Monday, 9 October 2017, or such other date as may be agreed between our Company and the Sole Bookrunner. If our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price, the Share Offer will not become unconditional and will lapse immediately. In such case, an announcement will be made immediately by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.bnc.cc. The Offer Price is expected to be not more than HK\$0.24 per Offer Share and not less than HK\$0.20 per Offer Share, unless otherwise announced together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$0.24 (the maximum of the Offer Price). The Sole Bookrunner (for itself and on behalf of the Underwriters), with the consent of our Company, may extend or reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer should they consider it appropriate (for instance, if the level of interest is below the indicative Offer Price range). If this occurs, a notice of extension or reduction of the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.bnc.cc not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to apply for Public Offer Shares" in this prospectus.

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 Offer Shares should note that the obligations of the Underwriters under the Underwriting Agreements to procure subscribers for or themselves to subscribe for the Offer Shares are subject to the termination by the Sole Bookrunner (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set out under the paragraph headed "Underwriting — Public Offer — Grounds for termination" in this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Bookrunner (for itself and on behalf of the Underwriters) terminate the Underwriting Agreements, the Share Offer will not proceed and will lapse.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on companies listed on GEM.

EXPECTED TIMETABLE

Event	2017 <i>(Note 1)</i>
Latest time for completing electronic applications under the HK eIPO White Form service through the designated website www.hkeipo.hk <i>(Note 2)</i>	11:30 a.m. on Friday, 6 October 2017
Application lists open <i>(Note 3)</i>	11:45 a.m. on Friday, 6 October 2017
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 Friday, 6 October 2017
Latest time to give electronic application instructions to HKSCC <i>(Note 4)</i>	12:00 noon on Friday, 6 October 2017
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Friday, 6 October 2017
Application lists close <i>(Note 3)</i>	12:00 noon on Friday, 6 October 2017
Expected Price Determination Date <i>(Note 5)</i>	at or before 5:00 p.m. on Monday, 9 October 2017
Announcement of the final Offer Price, the level of indication of interest in the Placing, the basis of allocation and the results of applications in the Public Offer to be published on the Stock Exchange’s website at www.hkexnews.hk <i>(Note 3)</i> and our Company’s website at www.bnc.cc <i>(Note 3)</i> on or before	Friday, 13 October 2017
Announcement of results of allocations in the Public Offer (with successful applicants’ identification document numbers, where appropriate) to be available through a variety of channels including our website at www.bnc.cc and the Stock Exchange’s website at www.hkexnews.hk (for further details, please refer to the paragraph headed “How to Apply for Public Offer Shares — Publication of results” in this prospectus) from	Friday, 13 October 2017

EXPECTED TIMETABLE

2017
(Note 1)

Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result with a “search by ID” function on Friday, 13 October 2017

Despatch/collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before (Notes 6 to 11)..... Friday, 13 October 2017

Despatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before (Notes 6 to 8 and 10)..... Friday, 13 October 2017

Dealings in the Shares on GEM to commence at 9:00 a.m. on..... Monday, 16 October 2017

Notes:

1. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates. If there is any change to the above expected timetable, our Company will make an appropriate announcement to inform investors accordingly.
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 application 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 the 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 Friday, 6 October 2017 the application list will not open on that day. For further details, please refer to the section headed “How to apply for Public Offer Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus.
4. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to Apply for Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be at or before 5:00 p.m. on Monday, 9 October 2017 (or such later date or time as agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters)). If the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, or such later date or time as agreed between our Company and the Sole Bookrunner, the Share Offer will not become unconditional and will lapse.
6. Share certificates for the Public Offer Shares are expected to be issued on or before Friday, 13 October 2017 but will only become valid certificates of title at 8:00 a.m. on Monday, 16 October 2017 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has not been terminated in accordance with its terms.

EXPECTED TIMETABLE

7. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Forms or through the **HK eIPO White Form** service (as the case may be) who have provide all information required in their relevant Application Forms that they may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally 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 Friday, 13 October 2017 or any other day as announced by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques.
8. Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representative(s) if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
9. Applicants who applied through the **HK eIPO White Form** service and paid their applications 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** Service Provider, in the form of refund cheques, by ordinary post at their own risk.
10. 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 paragraph headed "How to Apply for Public Offer Shares — 14. Despatch/collection of Share certificates and refund monies" in this prospectus.
11. Refund cheques/e-Auto Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applicants if the final Offer Price is less than the maximum Offer price of HK\$0.24 per Offer Share.

For details of the structure of the Share Offer, including conditions of the Share Offer, applicants should refer to the section headed "Structure and Conditions of the Share Offer" in this prospectus.

CONTENTS

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 Share Offer 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 to make your investment decision.

Our Company, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Co-Lead Manager and the Underwriters 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 nor contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Sole Bookrunner, the Lead Manager, the Co-Lead Manager, the Underwriters, any of their respective directors, officers, employees, advisers, agents, representatives or affiliates of any of them or any other persons or parties involved in the Share Offer.

The contents of our Company's website at www.bnc.cc do not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. These are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a provider of homeware products for more than 15 years with headquarters in Hong Kong. We principally engage in the design, development and production management of a wide variety of homeware products with operations in the PRC and Hong Kong, and have built a diverse global customer portfolio comprising international brand owners and licensee, chain supermarkets and renowned department stores. The following table sets forth some of our major customers during the Track Record Period and up to the Latest Practicable Date:

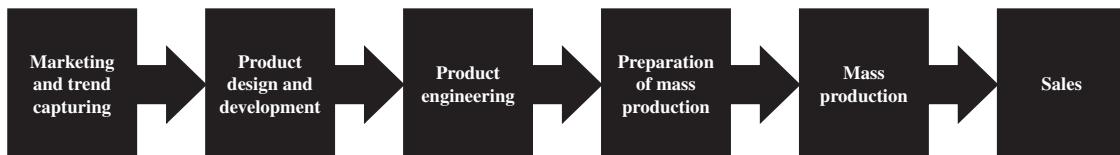
Name of customer	Background	Homeware products we provided	Business with the customer commenced since
Kahler Design A/S	A ceramic products brand owner founded in 1990 based in Denmark	Home decorations	2010
Customer B	A subsidiary of a multinational company engaged in the home improvement industry listed on the London Stock Exchange. Its group has nearly 1,200 stores spanning across 10 countries in Europe	Bathroom accessories	2010
Customer C	A subsidiary of a U.K. based multinational supermarket chain whose shares are listed on the London Stock Exchange. Its group operates nearly 6,500 stores in over 10 countries in Asia and Europe	Home decorations and bathroom accessories	2013

During the Track Record Period, our homeware products were exported overseas with shipment destinations in more than 25 countries, including U.K., Denmark, Germany, Australia, France, Poland, Italy and U.S.. During the Track Record Period, Europe was our major shipment destination which accounted for approximately 89.5% and 83.8% of our revenue by shipment destination of homeware products we sold to our customers. Please refer to the paragraph headed “Business — Our Customers” in this prospectus for the breakdown of our revenue by shipment destination. For each of the two years ended 31 March 2017, our revenue was approximately HK\$85.7 million and HK\$65.2 million, respectively and our net profits were approximately HK\$9.3 million and HK\$10.3 million, respectively.

OUR BUSINESS

Business model

We mainly design, develop and supply homeware products for international brand owners and licensee, chain supermarkets and renowned department stores under their own respective brand names. During the Track Record Period, we have engaged third party factories for the entire production of our products, all of which are located in the PRC. Our products sold to our customers are mainly designed by our established product design and development team based on our own innovation or our customers’ general concept or specifications. In some situations, our customers may provide their product designs for our product development. The following chart illustrates our principal business model:



SUMMARY

In August 2016, we have also commenced the marketing and sales of our own branded products under our brand “SATU BROWN”. Our “SATU BROWN” products are mainly home decorations which are principally designed and developed by us and being sold through third party e-commerce platform.

Products

We have established a product portfolio consisting of a wide range of homeware products with different design, style and colour tone, which is broadly classified into three major categories, including home decorations, bathroom accessories and kitchenware and tableware. During the Track Record Period, we successfully launched over 60 series of homeware products, which in aggregate include over 1,500 pieces of homeware products with various colours, sizes, shapes and features. The following table sets forth our revenue, gross profit and gross profit margin by product category for the years indicated:

	Years ended 31 March							
	2016				2017			
	Revenue	%	Gross profit	Gross profit margin	Revenue	%	Gross profit	Gross profit margin
	<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>	
Home decorations	56,793	66.3	15,796	27.8	31,983	49.0	11,583	36.2
Bathroom accessories	25,472	29.7	10,976	43.1	29,020	44.5	12,393	42.7
Kitchenware and tableware	2,505	2.9	563	22.5	1,852	2.8	613	33.1
Others ^(Note)	899	1.1	309	34.4	2,369	3.7	1,143	48.2
	85,669	100.0	27,644	32.3	65,224	100.0	25,732	39.5

Note: Others mainly represented small household hardware including umbrellas, electronic glasses and magnetic board puzzles games.

The decrease in our Group’s revenue during the Track Record Period was mainly due to the decrease in revenue derived from sales of home decoration products which in turn was driven by the decrease in sales to Kahler Design A/S and Customer A. Less sales orders were received from Kahler Design A/S during the year ended 31 March 2017 for two series of homeware products in home decoration products as a result of their anticipated drop in popularity and thus sales, leading to a decrease of revenue from Kahler Design A/S from approximately HK\$31.2 million for the year ended 31 March 2016 to approximately HK\$15.8 million for the year ended 31 March 2017. Customer A, a brand licensee that conducted business in the support of marketing products for loyalty programs, purchased less home decoration products from us during the year ended 31 March 2017 as those products they purchased during the year ended 31 March 2016 were used as gifts and rewards for marketing campaign for the year, thus, leading to a drop of revenue from Customer A from approximately HK\$18.8 million for the year ended 31 March 2016 to approximately HK\$72,000 for the year ended 31 March 2017.

SUMMARY

Our Group's gross profit decreased despite the fact that its gross profit margin increased during the Track Record Period as the effect of increase in average selling price cannot completely offset the effect from the decrease in revenue whereas average cost remain relatively stable during the Track Record Period. Our Group's gross profit margin was approximately 32.3% and 39.5% for the two years ended 31 March 2017, respectively. Such increase was primarily because (i) our Group has accepted a relatively low gross profit margin for certain sales to Kahler Design A/S for the year ended 31 March 2016 as they have made several purchases orders in large procurement volume, and (ii) our Group has recorded a higher gross profit margin for sales to Customer C for the year ended 31 March 2017 as they has engaged our Group for new product design and development.

Customers

Over the years of our operations, we have built a diverse global customer portfolio mainly comprising the international brand owners and licensee, chain supermarkets and renowned department stores. For each of the two years ended 31 March 2017, our aggregate sales to our five largest customers accounted for approximately 83.7% and 65.0% of our revenue respectively. Our largest customer accounted for approximately 36.4% and 24.3% of our revenue respectively, for the same periods. As at the Latest Practicable Date, our business relationships with our five largest customers ranged from approximately two to over 10 years. We determine our pricing by adding a margin to the estimated cost of purchase which mainly comprise of the quotation from third party factories, after taking into account major factors including size of the order, value added by us such as product design and development, as well as the complexity of the design.

Third party factories

We engage third party factories to undertake the production processes which allows us to focus on our core competence in design and product development and effectively manage our costs and optimise our production flow without compromising on quality by adopting stringent quality assurance procedures throughout the entire production processes. For each of the two years ended 31 March 2017, our five largest third party factories accounted for approximately 96.6% and 92.1% of our total costs of homeware products respectively; whereas, our largest third party factory accounted for approximately 61.4% and 71.4% of our total costs of homeware products respectively. We have established business relationships with the third party factories ranging from approximately one to over six years.

Consumable material suppliers

Our consumable material suppliers mainly include accessories and packaging material suppliers. For each of the two years ended 31 March 2017, the cost of consumable materials amounted to approximately HK\$2.4 million and HK\$1.5 million, respectively.

COMPETITIVE STRENGTHS

Our Directors believe that we have the following major strengths:

- We have well-established relationships with our major customers which are international brand owners and licensee, chain supermarkets and renowned department stores;
- We have strong and established product design and development capabilities;
- We adopt a streamlined business model which allows us to manage our costs effectively;
- We have a stringent quality assurance system; and
- We have an experienced and dedicated management team with extensive industry experience.

For more details of our competitive strengths, please refer to the paragraph headed "Business — Competitive strengths" in this prospectus.

SUMMARY

BUSINESS STRATEGIES

We intend to further enhance our presence and expand our market share in the global homeware products industry and fortify our competitive strengths. To achieve these goals, we will adopt the following plans and strategies to:

- Broaden the existing customer base, increase our market share in the existing target markets and expand into new markets;
- Enhance design and development capabilities;
- Enhance brand recognition and awareness and promote our corporate reputation; and
- Enhance our quality assurance system.

For more details of our business strategies, please refer to the paragraph headed “Business — Business strategies” in this prospectus.

COMPETITIVE LANDSCAPE

According to the Industry Report, the homeware products export market in China is fragmented and competitive with approximately 10,000 market players. Comprehensive homeware companies which the Company belongs to, have substantial understanding on the homeware products market in terms of customer preference and development trends. The number of comprehensive homeware companies is relatively small but they usually serve clients with higher design and quality requirements and supply products at higher selling prices. For more details about the competitive landscape, please refer to the paragraphs headed “Industry Overview — Competitive landscape of China homeware products export industry” and “Business — Competition” in this prospectus.

SUMMARY FINANCIAL INFORMATION

The following tables set forth selected financial information for the period indicated. Please refer to the Accountants’ Report set out in Appendix I to this prospectus for further details.

Summary of the consolidated statements of profit or loss and other comprehensive income

	Years ended 31 March	
	2016	2017
	HK\$'000	HK\$'000
Revenue	85,669	65,224
Gross profit	27,644	25,732
Profit before tax	11,196	12,699
Profit for the year	9,306	10,336
Total comprehensive income for the year	9,303	10,317
Attributable to:		
— Owners of the Company	9,428	10,321
— Non-controlling interests	<u>(125)</u>	<u>(4)</u>
	<u>9,303</u>	<u>10,317</u>

SUMMARY

Summary of the consolidated statements of financial position

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	878	810
Current assets	20,410	28,694
Current liabilities	8,214	6,113
Net current assets	12,196	22,581

Summary of the consolidated statements of cash flows

	Years ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit before working capital changes	<u>11,555</u>	<u>13,060</u>
Net cash generated from operating activities	5,860	5,262
Net cash (used in)/generated from investing activities	(941)	181
Net cash used in financing activities	(1,007)	(1,218)
Effect of foreign exchange rate changes	<u>(3)</u>	<u>(19)</u>
Net increase in cash and cash equivalents	3,909	4,206
Cash and cash equivalents at beginning of year	<u>1,055</u>	<u>4,964</u>
Cash and cash equivalents at end of the year	<u><u>4,964</u></u>	<u><u>9,170</u></u>

Key financial ratios

The following tables set out the key financial ratios of our Group during the Track Record Period. Please refer to the paragraph headed “Financial Information — Selected key financial ratios” in this prospectus for details.

	Years ended 31 March	
	2016	2017
Gross profit margin	32.3%	39.5%
Net profit margin	10.9%	15.8%
Return on total assets	43.7%	35.0%
Return on equity	71.2%	44.2%
Interest coverage ratio	156.5 times	454.5 times

	As at 31 March	
	2016	2017
Current ratio	2.5 times	4.7 times
Quick ratio	2.5 times	4.5 times
Gearing ratio	21.3%	6.7%

SUMMARY

Net profit margin increased from approximately 10.9% for the year ended 31 March 2016 to approximately 15.8% for the year ended 31 March 2017, as a result of the cumulative effect of (i) increase in gross profit margin from approximately 32.3% for the year ended 31 March 2016 to approximately 39.5% for the year ended 31 March 2017; (ii) decrease in selling and distribution expenses of approximately HK\$4.7 million; and (iii) increase in administrative and other operating expenses of approximately HK\$1.6 million for the year ended 31 March 2017.

Our return on equity decreased from approximately 71.2% for the year ended 31 March 2016 to approximately 44.2% for the year ended 31 March 2017, mainly due to the increase in equity was greater than the increase in profit. The increase in equity was solely due to the recognition of profit of approximately HK\$10.3 million for the year ended 31 March 2017.

The interest coverage ratio increased from 156.5 times for the year ended 31 March 2016 to 454.5 times for the year ended 31 March 2017. Such increase was mainly due to the decrease in interest expense as a result of repayment of bank borrowings during the Track Record Period.

The current ratio increased from 2.5 times as at 31 March 2016 to 4.7 times as at 31 March 2017, mainly due to the higher net current assets position. Such improvement in the financial position was mainly due to the increase in trade receivables by approximately 74.0% and bank and cash balances by approximately 84.7%, mainly attributable to net cash inflow from operations and no significant cash outflows from all other activities during the year ended 31 March 2017.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, there had not been any material changes to our business model, revenue structure and cost structure. Based on the unaudited consolidated management account for the five months ended 31 August 2017, revenue of our Group amounted to approximately HK\$31.1 million, compared to approximately HK\$26.1 million in the same period in 2016, representing an increase of approximately 19.2%. Such growth was primarily due to (i) increase in sales orders from Customer B and Customer C by approximately 92.5% and 20.8% respectively; and (ii) increase in sales through third-party e-commerce platform of approximately HK\$2.1 million during the period. Subsequent to the Track Record Period and up to the Latest Practicable Date, the aggregate of revenue for the five months ended 31 August 2017 and sales orders on hand up to the Latest Practicable Date amounted to approximately HK\$50.7 million, of which approximately HK\$45.8 million was derived from our recurring customers, approximately HK\$2.8 million was derived from 8 new customers and approximately HK\$2.1 million was derived from the sales through third-party e-commerce platform. Having considered the above and to the best knowledge of our Directors, the decrease in sales during the Track Record Period would not continue. Our Group recorded an increase of gross profit of approximately 10.1% for the five months ended 31 August 2017 as compared to the corresponding period in 2016. However, our Group's gross profit margin for the five months ended 31 August 2017 of approximately 34.2% was lower than gross profit margin of approximately 37.0% for the same period in 2016 which was primarily because our Group has offered a relatively lower price to Customer B for their increase in procurement volume during the period. The above financial information has been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410, "Review on Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Given the total Listing expenses which are non-recurring in nature and an amount of approximately HK\$13.2 million is expected to be recognised as expenses in the consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2018, we expect to incur a net loss

SUMMARY

for the year ending 31 March 2018. A net cash outflow from operating activities for the year ending 31 March 2018 is expected given the payment of Listing expenses during such period. Please refer to the paragraph headed “Listing Expenses” in this section for further details of such expenses. A net cash inflow from operating activities is expected in the next 12 months upon Listing. The unaudited net current assets of the Group as at 31 August 2017 were approximately HK\$22.7 million, including bank and cash balances of approximately HK\$8.8 million. Taking into account the financial resources of our Group, our Directors believe that we have sufficient working capital for its present requirements for at least the next 12 months from the date of this prospectus. Save for the Listing expenses which are non-recurring in nature, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 March 2017 (being the date to which the latest audited consolidated financial statements of our Group were prepared), and there has been no event since 31 March 2017 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

LISTING EXPENSES

The estimated Listing expenses primarily comprised of legal and professional fees in relation to the Listing. Our Group expects that the total Listing expenses, which is non-recurring nature, will amount to approximately HK\$23.0 million (based on the mid-point of the indicative range of the Offer Price and no Offer Size Adjustment Option is exercised). Out of the total HK\$23.0 million in Listing expenses, our Group incurred approximately HK\$1.7 million recognised as expenses in the consolidated statements of profit or loss and other comprehensive income for the year ended 31 March 2017. Our Group expects to incur further Listing expenses of approximately HK\$13.2 million subject to completion of the Share Offer (based on the mid-point of the indicative range of the Offer Price and no Offer Size Adjustment Option is exercised), which will be recognised as expenses in the consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2018, and approximately HK\$8.1 million will be capitalised upon the Listing. Our Directors wish to inform Shareholders and potential investors that the Group’s financial performance and results of operations for the year ending 31 March 2018 will be significantly affected by the estimated expenses in relation to the Listing. Such Listing expenses are a current estimate for reference only and the final amount to be charged to the profit or loss account of our Group for the year ending 31 March 2018 and the amount to be deducted from the Group’s capital is subject to change.

USE OF PROCEEDS

Assuming the Offer Price of HK\$0.22 per Offer Share, being the mid-point of the indicated Offer Price range, we estimate that we will receive net proceeds from the Share Offer of approximately HK\$32.0 million, after deducting underwriting fees and commissions and estimated expenses payable by us in relation to the Share Offer and not taking into account any exercise of the Offer Size Adjustment Option. We intend to use the net proceeds from the Share Offer for the following purposes:

- approximately HK\$13.5 million (representing approximately 42.2% of the net proceeds) for broadening the existing customer base, increasing our market share in the existing target markets and expanding into new markets, among which approximately HK\$3.6 million for refurbishing the existing office and showroom in the PRC and approximately HK\$9.8 million for establishing one liaison office in each of Europe and the US. Our Directors considered

SUMMARY

that the tax implication in relation to the establishment of liaison offices in Europe and the US is limited on the basis that the liaison offices will be set up in the form of separate legal entities and there will be no income generated;

- approximately HK\$6.4 million (representing approximately 20.0% of the net proceeds) for enhancing brand recognition and awareness and promoting our corporate reputation, among which approximately HK\$2.8 million for marketing including advertising on different media as well as participating in trade shows and marketing events, approximately HK\$2.2 million for setting up our own e-commerce platform and approximately HK\$1.1 million for enhancing capacities of our sales and marketing team;
- approximately HK\$4.8 million (representing approximately 15.0% of the net proceeds) for enhancing design and development capabilities, among which approximately HK\$2.6 million for upgrading the existing design software and purchasing new design software as well as acquiring advance design hardware, approximately HK\$1.4 million for expanding design and development team and approximately HK\$0.8 million for providing trainings as well as sponsorship to designers;
- approximately HK\$4.8 million (representing approximately 15.0% of the net proceeds) for enhancing our quality assurance capabilities, among which approximately HK\$3.6 million for establishing a quality control laboratory in the premise of our largest third party factory during the Track Record Period by leasing certain area at this factory, to facilitate quality control and product testing processes. The total expected capital expenditure for setting up the quality control laboratory is approximately HK\$3.0 million (excluding rental payment of approximately HK\$0.6 million) which will be fully covered by the net proceeds. If the actual capital expenditure for setting up such laboratory exceeds the net proceeds of approximately HK\$3.6 million, we will use our internal generated funding. The establishment of quality control laboratory also involves laboratory set-up costs and purchasing equipment for the purpose of carrying out quality control testings, including their metal elements, colour tones, durability and stability. Approximately HK\$0.8 million for expanding our quality assurance team and approximately HK\$0.4 million for providing trainings to the quality control staff; and
- the remaining amount of approximately HK\$2.5 million (representing approximately 7.8% of the net proceeds) will be used to provide funding for our working capital and other general corporate purposes.

If the Offer Price is set at the highest or lowest point of the indicative Offer Price range or that the Offer Size Adjustment Option is exercised, the net proceeds of the Share Offer will be used based on the percentage disclosed above.

For more detail regarding the future plans and use of proceeds, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

SUMMARY

OFFER STATISTICS⁽¹⁾

	Based on the Offer Price of HK\$0.20 per Share	Based on the Offer Price of HK\$0.24 per Share
Market capitalisation of the Shares ⁽²⁾	HK\$200 million	HK\$240 million
Unaudited pro forma adjusted net tangible asset value per Share ⁽³⁾⁽⁴⁾	HK\$0.05	HK\$0.06

Notes:

- (1) All statistics in this table are based on the assumption that the Offer Size Adjustment Option is not exercised.
- (2) The calculation of market capitalisation is based on 1,000,000,000 Shares expected to be in issue immediately following completion of the Share Offer, but does not take into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix VI to this prospectus.
- (3) The unaudited pro forma adjusted net tangible assets attributable to owners of the Company per Share is calculated based on 1,000,000,000 Shares are issued and outstanding as set out in the section headed “Share Capital” of this prospectus assuming the Share Offer has been completed on 31 March 2017 but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of the Shares as described in “Appendix IV — Statutory and General Information” in this Prospectus.
- (4) The unaudited pro forma adjusted net tangible assets attributable to owners of the Company does not take into account a dividend of HK\$7.0 million which was declared by B&C Industries HK on 21 September 2017 and will be settled before Listing. Had the dividend been taken into account, the unaudited pro forma adjusted net tangible assets attributable to owners of the Company per Share would be HK\$0.04 (assuming an Offer Price of HK\$0.20 per Share) and HK\$0.05 (assuming an Offer Price of HK\$0.24 per Share), respectively.

DIVIDEND

No dividend was declared during the Track Record Period. On 21 September 2017, B&C Industries HK declared a dividend of HK\$7.0 million (generated from internal resources) which will be settled before Listing. The declaration of, payment and amount of future dividends will be subject to the discretion of our Directors and will be dependent upon our financial results, Shareholders’ interest, general business conditions, strategies and future expansion needs, our capital requirements and availability, possible effects on liquidity and financial position of our Company and such other factors as our Board may consider relevant. Our Group does not have a fixed dividend policy or a pre-determined dividend payout ratio.

RISK FACTORS

There are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risk relating to conducting business in Hong Kong; (iv) risks relating to conducting business in the

SUMMARY

PRC; (v) risks relating to the Share Offer; and (vi) risks relating to statements made in this prospectus. Major risks we face include, among others, the following:

- Our five largest customers accounted for a significant portion of our revenue. Any decrease in sales to any of these customers would materially and adversely affect our business, results of operations and financial performance if we could not identify and obtain orders from new customers;
- Our group has a relatively heavy reliance on the European market;
- We rely on the third party factories for the production of our products. Our operations and financial position may be materially and adversely affected if there is deterioration of our relationship with them, or any disruption to their manufacturing operations, or their products are not satisfied by our customers; and
- Any failure to ensure the quality of our products could harm our business.

Please refer to the section headed “Risk Factors” in this prospectus for further details.

BUSINESS ACTIVITIES WITH CUSTOMERS FROM RUSSIA AND TUNISIA

During the Track Record Period, we had sales with customers from Russia and Tunisia, where individuals and certain activities may be subject to International Sanctions. The aggregate amount of our revenue generated from sales to customers from Russia and Tunisia for each of the two years ended 31 March 2017 was approximately HK\$1.0 million and HK\$0.5 million respectively, representing approximately 1.2% and 0.8% of our total revenue for the same years, respectively.

The Sanctions Law Advisers have advised that the sanctions risk exposure to our Group, the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors as a result of our Group’s sales to customers from Russia and Tunisia during the Track Record Period is very low.

We confirm that, save as disclosed in the section headed “Business” in this prospectus, our Group did not have any business activities in connection with any countries, governments, entities or individuals sanctioned by the U.S., the U.N., the E.U. and Australia during the Track Record Period and up to the Latest Practicable Date.

Our Directors confirm that as to the Latest Practicable Date, we had not been notified that any sanctions would be imposed on us in relation to our sales to customers from Russia and Tunisia during the Track Record Period.

Please see the section headed “Business — Our customers — Business activities with customers from Russia and Tunisia” in this prospectus for details of our operations and business activities in those countries.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue, Mr. She, through his investment holding company Hearthfire, will be beneficially interested in 61.125% of the issued share capital of our Company (without taking into account any Shares which may be allotted and issued upon exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme), and hence Mr. She and Hearthfire are our Controlling Shareholders.

DEFINITIONS AND GLOSSARY

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“Acceptable Quality Level”	A statistical measurement of the maximum number of defective goods considered acceptable in a particular sample size
“Accountants’ Report”	the accountant’s report on our Group for the Track Record Period set out in Appendix I to this prospectus
“affiliate(s)”	any person(s), directly or indirectly, controlling, controlled by or under direct or indirect common control with another person(s)
“Application Forms”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) individually or collectively, as the context may require, to be used in relation to the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 22 September 2017, which will take effect on the Listing Date, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Australia”	the Commonwealth of Australia
“B&C Industries BVI”	B & C Industries (BVI) Limited, a company incorporated in BVI with limited liability on 7 April 2017 and a direct wholly-owned subsidiary of our Company
“B&C Industries HK”	B & C Industries Limited (逸丰實業有限公司), a company incorporated in Hong Kong with limited liability on 11 December 2000 and an indirect wholly-owned subsidiary of our Company
“Board”	the board of Directors
“Bookrunner”, “Sole Bookrunner” or “Lead Manager”	Emperor Securities Limited, a corporation licensed by the SFC to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, being the sole bookrunner and the lead manager to the Listing
“business day(s)”	any day(s) (excluding Saturday(s), Sunday(s) and public holiday(s)) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time

DEFINITIONS AND GLOSSARY

“Capitalisation Issue”	the allotment and issue of 712,000,000 Shares upon the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “Written resolutions of all our Shareholders passed on 22 September 2017” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person 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 HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements 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
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Co-Lead Manager”	Sunfund Securities Limited, a corporation licensed by the SFC to carry on type 1 (dealing in securities) regulated activities under the SFO, being the co-lead manager of the Listing
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Registry”	the Companies Registry of Hong Kong
“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

DEFINITIONS AND GLOSSARY

“Company”, “the Company” and “our Company”	Satu Holdings Limited (舍圖控股有限公司), a company incorporated in the Cayman Islands on 27 March 2017 as an exempted company with limited liability under the Companies Law
“connected person(s)”	has the meaning ascribed to it under GEM Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of this prospectus, being Mr. She and Hearthfire
“core connected person”	has the meaning ascribed to it under GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 22 September 2017 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries), details of which are set out in the section headed “D. Other Information — 2. Tax and other indemnities” in Appendix IV to this prospectus
“Director(s)”	the director(s) of our Company
“EU” or “E.U.”	the European Union
“EUR”	Euro, the lawful currency of the eurozone, which consists of 19 of 28 member states of the E.U.
“FOB”	free on board
“Frost & Sullivan”	Frost & Sullivan International Limited, an industry expert and an Independent Third Party
“FTSE 100 index”	The Financial Times Stock Exchange 100 Index, a share index of 100 companies listed on the London Stock Exchange with the highest market capitalisation
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company

DEFINITIONS AND GLOSSARY

“Group”, “our Group”, “we”, “us”, “our” or “ourselves”	our Company and its subsidiaries, or any of them or, where the context so required, in respect of the period before our Company became the holding company of its present subsidiaries, the companies which carried on the business of the present Group at the relevant time
“Hearthfire”	Hearthfire Limited, a company incorporated in the BVI with limited liability on 10 March 2017, the entire equity interest of which is owned by Mr. She
“ HK eIPO White Form ”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting application online at 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
“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
“HK\$” and “cents”	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
“homeware”	products primarily used in household, including tableware, kitchenware, bath/toilet accessories, household daily hardware, small home decorations but excluding furniture, electrical appliances, household textiles, household paper and so on
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Independent Third Party(ies)”	person(s) or entity(ies) that is or are not connected person(s) within the meaning of the GEM Listing Rules
“Industry Report”	a market research report commissioned by our Company and issued by Frost & Sullivan
“International Sanctions”	sanction-related laws and regulations issued by the U.S., the U.N., the E.U. or Australia

DEFINITIONS AND GLOSSARY

“Latest Practicable Date”	19 September 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which dealings in the Shares on GEM first commence, which is expected to be on Monday, 16 October 2017
“Listing Department”	the listing department of the Stock Exchange
“Member States” or “EU Member States”	the member states of EU
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on 22 September 2017
“Mr. Alex She”	Mr. She Leung Ngai Alex (佘良霓), an executive Director, brother of Mr. She and son of Ms. Sze
“Ms. Chan”	Ms. Chan Lai Yin (陳麗燕), founder of our Group and an executive Director
“Mr. She”	Mr. She Leung Choi (佘良材), founder of our Group, chairman of our Board, chief executive officer of our Group, an executive Director, a Controlling Shareholder, brother of Mr. Alex She and son of Ms. Sze
“Ms. Sze”	Ms. Sze Sau Taap (施秀沓), mother of Mr. She and Mr. Alex She
“Non-competition Undertaking”	the non-competition undertaking dated 22 September 2017 executed by our Controlling Shareholders with our Company (for itself and on behalf of our subsidiaries), details of which are set out in the paragraph headed “Relationship with our Controlling Shareholders — Non-competition undertaking” in this prospectus
“OFAC”	the United States Department of Treasury’s Office of Foreign Assets Control
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of not more than HK\$0.24 and is currently expected to be not less than HK\$0.20, to be agreed upon by us and the Sole Bookrunner (for itself and on behalf of the Underwriters) on or before the Price Determination Date

DEFINITIONS AND GLOSSARY

“Offer Share(s)”	the Public Offer Share(s) and the Placing Share(s) together, whether relevant, with any additional Share(s) issued pursuant to the Offer Size Adjustment Option
“Offer Size Adjustment Option”	the option granted by our Company to the Placing Underwriters, exercisable by the Sole Bookrunner (for itself and on behalf of the Placing Underwriters), at its sole and absolute discretion, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Offer Shares, representing up to 15% of the initial number of the Offer Shares under the Share Offer, at the Offer Price subject to the terms of the Placing Underwriting Agreement
“Pansino Holdings”	Pansino Holdings Limited, a company incorporated in Hong Kong with limited liability on 10 September 2007
“Pansino Shenzhen”	Pansino Homeware (Shenzhen) Co., Ltd.* (泛華家居用品(深圳)有限公司), a wholly-foreign owned enterprise established under the laws of the PRC on 20 July 2009
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company with professional, institutional and other investors in Hong Kong for cash at the Offer Price, as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Share(s)”	the 225,000,000 new Shares being offered by our Company for subscription at the Offer Price under the Placing, subject to reallocation and the Offer Size Adjustment Option as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing Shares who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional placing underwriting agreement expected to be entered into on or about the Price Determination Date by, among others, our Company, the Sole Bookrunner, the Lead Manager, the Co-Lead Manager and the Placing Underwriters in respect of the Placing
“PRC” or “China”	the People’s Republic of China, for the purpose of this prospectus and unless the context otherwise requires, do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Legal Advisers”	Kaitong Law Firm, our legal advisers as to the laws of the PRC

DEFINITIONS AND GLOSSARY

“Present Moment”	Present Moment Limited, a company incorporated in the BVI with limited liability on 10 March 2017, the entire equity interest of which is owned by Ms. Chan
“Price Determination Agreement”	the agreement expected to be entered into by the Sole Bookrunner (for itself and on behalf of Underwriters) and us on the Price Determination Date to determine the Offer Price
“Price Determination Date”	Monday, 9 October 2017, or such other date as may be agreed between our Company and the Sole Bookrunner being the date on which the Offer Price will be fixed for the purpose of the Share Offer
“Public Offer”	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, details of which are described in the section headed “Structure and conditions of the Share Offer” in this prospectus and the relevant Application Forms
“Public Offer Shares”	the 25,000,000 new Shares initially being offered by our Company for subscription at the Offer Price under the Public Offer, subject to re-allocation as mentioned in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the section headed “Underwriting — Underwriters — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement relating to the Public Offer entered into by, among others, our Company, the Sole Bookrunner, the Lead Manager, the Co-Lead Manager and the Public Offer Underwriters on or around 28 September 2017, particulars of which are set out in the section headed “Underwriting” in this prospectus
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for Listing as more particularly described in the paragraph heading “History and Reorganisation — Reorganisation” to this prospectus

DEFINITIONS AND GLOSSARY

“Sanctioned Person(s)”	certain person(s) and entity(ies) listed on the OFAC of Specially Designated Nationals and Blocked Person List or other restricted parties lists maintained by the U.N., the E.U. and Australia
“Sanctions Law Advisers”	Loeb & Loeb LLP and Hogan Lovells
“Satu Brown HK”	Satu Brown International Limited (舍圖國際有限公司), a company incorporated in Hong Kong with limited liability on 1 November 2013 and an indirect wholly-owned subsidiary of our Company
“Satu Brown Shenzhen”	Satu Fashion Products (Shenzhen) Company Limited* (舍圖時尚用品(深圳)有限公司), a wholly-foreign owned enterprise established under the laws of the PRC on 30 April 2014 and a direct wholly-owned subsidiary of Satu Brown HK
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 22 September 2017, the principal terms of which are summarised in the section headed “D. Other Information — 1. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of issued Shares
“Sponsor” or “Sole Sponsor”	Sunfund Capital Limited, a corporation licensed by the SFC to carry on type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor of the Listing
“sq.ft.”	square feet
“sq.m.”	square metres

DEFINITIONS AND GLOSSARY

“South Technology HK”	South Technology (International) Limited (正南科技(國際)有限公司), a company incorporated in Hong Kong with limited liability on 15 July 2013 and an indirect wholly-owned subsidiary of our Company
“South Technology Shenzhen”	South Technology Business (Shenzhen) Company Limited* (正南電子商務(深圳)有限公司), a wholly-foreign owned enterprise established under the laws of the PRC on 9 December 2013 and a direct wholly-owned subsidiary of South Technology HK
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC as amended, supplemented or otherwise modified from time to time
“Top Clay”	Top Clay Limited, a company incorporated in the BVI with limited liability on 15 March 2017, the entire equity interest of which is owned by Ms. Sze
“Track Record Period”	the two financial years ended 31 March 2017
“Underwriter(s)”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“UK” or “U.K.”	the United Kingdom of Great Britain and Northern Ireland
“U.N.”	the United Nations
“US”, “U.S.” or “United States”	the United States of America
“US\$” or “USD”	United States dollar(s), the lawful currency of the US
“U.S Securities Act”	the United States Securities Act of 1933, as amended
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent

DEFINITIONS AND GLOSSARY

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

All times and dates refer to Hong Kong local time and dates unless otherwise stated.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “” and the Chinese translation of company names in English which are marked with “*” is for identification purpose only.*

Unless otherwise specified, statements contained in this prospectus assume no exercise of the Offer Size Adjustment Option.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Use of Proceeds” in this prospectus. These statements relate to the events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed “Risk Factors” in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, statements relating to:

- our business strategies and plans of operations;
- capital expenditure and expansion plans;
- the amount and nature of, and potential for, future development of our Group’s business;
- our operations and business prospects;
- our dividends;
- the projects under planning;
- the regulatory environment of the relevant industry and markets in general;
- the actions and developments of our competitors;
- the future development in relevant industry and markets; and
- other factors referenced in this prospectus.

The words “aim”, “anticipate”, “believe”, “could”, “estimate”, “going forward”, “might”, “ought to”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “seek”, “shall”, “should”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our Group’s 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. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including:

- any changes in the laws, rules and regulations of the government relating to any aspect of our business or operations;
- general global economic, market and business conditions;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;

FORWARD-LOOKING STATEMENTS

- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of the GEM Listing Rules, applicable laws, rules and regulations, our Company does not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement set forth in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors” in this prospectus.

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Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. The trading price of the Shares could decline due to any of these risks, and you may lose part or all of your investment.

RISKS RELATING TO OUR BUSINESS

Our five largest customers accounted for a significant portion of our revenue. Any decrease in sales to any of these customers would materially and adversely affect our business, results of operations and financial performance if we could not identify and obtain orders from new customers

For each of the two years ended 31 March 2017, our aggregated sales to the five largest customers accounted for approximately 83.7% and 65.0% of our Group's revenue respectively. Our five largest customers for the two years ended 31 March 2017 were international brand owners and licensee, chain supermarkets and renowned department stores including Kahler Design A/S. All our five largest customers are Independent Third Parties. As at the Latest Practicable Date, we have sustained business relationships with our five largest customers for a period ranging from approximately two to over 10 years.

According to the Industry Report, brand owners and licensees and retailers (including department stores, supermarket and hypermarket and e-commerce platform) usually procure homeware products from their suppliers by purchase orders. Our Directors confirm that, it is an industry practice that our customers only place purchase orders with us as and when they require instead of entering into long-term sales contracts with us. Therefore we have not entered into long-term sales contracts with any of our five largest customers who are therefore not obligated in any way to continue placing orders with us at the same historical level or at all, except that we have entered into the framework agreement with Kahler Design A/S. There is also no assurance that the relationship between us and any of our customers will continue on the same or similar terms and our customers may cancel or defer the purchase orders or terminate their respective relationships with us at any time as they wish in the future. If any of them is to substantially reduce the volume and/or the value of the orders it places with us or is to terminate its business relationship with us entirely, there can be no assurance that we will be able to obtain orders from new customers or other existing customers on comparable prices. Hence, our results of operations may vary from period to period and may fluctuate significantly from time to time, which may adversely affect our business, results of operations and financial performance.

Our Group has a relatively heavy reliance on the European market

For each of the two years ended 31 March 2017, Europe was our major shipment destination which accounted for approximately 89.5% and 83.8% of our revenue by shipment destination of homeware products we sold to our customers, respectively. In the event of any adverse change in the political, economic or social conditions in Europe, such as interest rates, currency exchange rates, recession, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level, general consumer confidence, our business operations and financial performance may be adversely affected and corresponding change in the sales orders from our customers in Europe may affect our business operations and financial performance. Moreover, according to the Industry Report, stagnation

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of population growth and strict regulations on importing are the restraints of Europe homeware retail market. The stagnation of population growth in Europe would hinder the development of overall retail market in Europe including homeware retail market. As European market is our major target market, we cannot assure that our financial performance would not be affected by the demographic structure of Europe. The E.U. applies trade defense measures against imports from third countries under various union trade defense instruments. Those regulations cast negative influence on the development of homeware retail market in Europe as well as exporters to Europe. Our business, results of operations and financial performance may be adversely affected if E.U. applies further trade defense measures and regulations against imports in the future.

We rely on the third party factories for the production of our products. Our operations and financial position may be materially and adversely affected if there is deterioration of our relationship with them, or any disruption to their manufacturing operations, or their products are not satisfied by our customers

During the Track Record Period and up to the Latest Practicable Date, we outsourced our entire production processes to third party factories in the PRC. We do not own or operate any manufacturing facilities. In the event that our relationship with the third party factories breaks down and we are unable to secure suitable third party factories when required, or if the price offered by the third party factories is not competitive, our operations and/or financial position may be adversely affected. Further, the ability of a third party factory to manufacture product is limited by its available manufacturing capacity. None of these third party factories is contractually obligated to allocate a fixed amount of manufacturing capacity to us. It is difficult for us to accurately forecast our capacity needs. We have entered into standard two-year framework cooperation agreements with our major third party factories, but do not have any long term agreement with any third party factory. The framework cooperation agreements set out the general rights and obligations of the parties but do not specify purchase details which would be included in the purchase orders. As such, the third party factories may allocate their manufacturing capacities to their other customers. For each of the two years ended 31 March 2017, our five largest third party factories accounted for approximately 96.6% and 92.1% of our total costs of homeware products respectively; whereas, our largest third party factory accounted for approximately 61.4% and 71.4% of our total costs of homeware products respectively. If our major third party factories have no available manufacturing capacities to manufacture our products, we may lose the orders from our customers and our operations and/or our financial position may be adversely affected.

Our customers will conduct random audits on the third party factories in various areas including technical skills, ethics, safety, health and labour, and issue certificates to those which have passed such audits. Only those which have met our stringent requirements and passed our customers' audits are qualified to be approved third party factories. If the third party factories fail to pass our customers' audits, we cannot assure that we can source and replace the third party factories by suitable ones in a timely manner. To the best knowledge of our Directors, some of our major customers have their own audited factories list. We cannot assure that the third party factories on our internal approved list are also on our customers' audited factories list and we may need to cooperate with new third party factories and more communication time will be expected. In addition, in the event there is any delay in completion of the products by the third party factories or they produce products with unsatisfactory quality, this may result in deteriorating quality of our products or delay in fulfilling our customers' orders. As such, our results of operations and profitability may be adversely affected. Further, our customers' audits on the third party factories may increase costs to the third party factories or restrict

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their operations, which may indirectly lead to an increase in the price at which the third party factories supply products to us. The failure by the third party factories to pass the audit of our customers may result in loss of orders from our customers or a termination of business relationship with our customers as well as damage to our reputation.

Any failure to ensure the quality of our products could harm our business

The quality of our homeware products is critical to the success of our business. In particular, our customers of international homeware brand owners and licensee usually pay great attention to the product quality. We believe that this significantly depends on the effectiveness of our quality control, which in turn depends on a number of factors, including the design of the quality control measures, the quality control training, and our ability to ensure that our employees adhere to our quality control requirements. Any significant failure or deterioration of our quality control can result in damage to our reputation. According to the Industry Report, for homeware section, the European countries have set comprehensive legal requirements covering a broad range of issues, including general product safety, chemicals used in various materials to packaging and supply chain management. These policies and initiatives have established high regulatory barriers for importers and overseas manufacturers, which restricts unqualified providers from entering the market. We compete on our ability to design, develop and supply products that adhere to the safety and quality standards. If we fail to adhere to the standards that meet the expectations of our consumers when supplying our products, our reputation may be harmed and we may lose critical customer orders, or we may face product liability claims or product recalls.

Our results of operations depend on the ability to remain cost competitive

Under our pricing model, the unit price of the products is determined by reference to the quotation from third party factories and the margin we will earn from the order is based on negotiations with our customers. The margin that we charge varies depending on factors such as size of the order, value-added services provided by us such as product design and development, and the complexity of the design. Our ability to continue to implement our pricing model and maintain the margins will depend on our ability to remain cost competitive, which means we will have to actively manage our cost of sales, and in particular, costs charged by the third party factories.

There is no guarantee that we will be able to continue to better manage our costs and achieve a pricing advantage. If we fail to manage our costs in response to increasing costs, our margins and our cost competitiveness will be negatively impacted, which can have a material adverse effect on our business, financial condition and results of operations.

We are exposed to credit risk from our customers

Our Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 31 March 2016 and 31 March 2017, approximately 83.6% and 78.5% of our total trade receivables, respectively, were due from our five largest customers and approximately HK\$nil and 17.9% of our total trade receivables, respectively, were due from our largest customer. During the Track Record Period, we recorded an increase in trade receivables from approximately HK\$8.4 million as at 31 March 2016 to approximately HK\$14.5 million as at 31 March 2017, representing an increase of approximately 72.6% and an increase in the average trade receivable turnover days from 34 days for the

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year ended 31 March 2016 to 64 days for the year ended 31 March 2017. For further details, please refer to the paragraph headed “Financial Information — Analysis of various items from the consolidated statement of financial position — Trade receivables” in this prospectus.

We cannot assure you that our customers will pay us on time and that they will be able to fulfil their payment obligations. Should we experience any unexpected delay or difficulty in collections from our customers, our financial conditions and results of operations may be adversely affected. We may further be exposed to credit risks from new customers and from providing credit to our existing customers. As a result, we are unable to assure you that the customers will not default in the future.

We are heavily dependent on certain key executives and senior management

Our success depends heavily on our ability to attract, retain and motivate our key executives and senior management. In particular, we rely heavily on the continued service of all our executive Directors Mr. She, Ms. Chan and Mr. Alex She. Mr. She and Ms. Chan founded our Group in 2000, and Mr. Alex She joined our Group at the early stage of our business in 2001. There is no assurance that these key executives and members of our senior management will not voluntarily terminate their employment with us. The loss of any key personnel without a timely and suitable replacement could be detrimental to the ongoing success of our operation.

In addition, competition for qualified sales, marketing and design personnel is intense, and we face competition for such personnel from competitors in our industry. If we are unable to retain or recruit sales, marketing and design personnel, we may not be able to maintain our position in the industry. This may render us incapable of meeting our growth targets, and our business, financial condition, and results of operations will be materially and adversely affected.

We may not be able to implement business strategies effectively due to various factors

According to the Industry Report, the homeware export market in the PRC is fragmented and competitive with approximately 10,000 market players. Our ability to grow continuously will depend on our ability to implement our business strategies successfully, including to broaden the existing customer base, increase our market share in the existing target markets and expand into new markets to enhance our design and development capabilities, to enhance our brand recognition and awareness and promote our corporate reputation and our quality assurance system. Our ability to implement our business strategies depends on, among other things, global economic conditions, our ability to continue maintaining a close relationship with our key customers, the continued growth of the target market, and the availability of the management and financial, technical, operational and other resources, and competition. As these factors may not be within our Group’s control, in the event we are unable to implement these strategies, we may not be able to grow at a comparable rate as we had in the past. As a result, if we fail to implement our business strategies effectively, our business, financial position and results of operations may be materially and adversely affected.

We may not be able to anticipate and respond in a timely manner to market and fashion trend as well as rapid changes in consumers’ tastes and preferences

As our products are linked with seasonal trends, our Group’s sales are therefore also dependent on our ability to cater for different customers’ fashion tastes and preferences which are changing dynamically. Failure of our Group to accurately anticipate and respond to market and fashion trend as

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well as changes in consumers' tastes and preferences in a timely manner can result in our Group's lower sales volume and in turn lower profits. Likewise, our customers' failure to anticipate the market and fashion trend as well as changes in consumers' tastes and preferences can result in fewer orders to be placed with our Group. In such events, our business, financial condition and results of operations will be adversely affected.

We may not be able to adequately protect our intellectual property rights and the intellectual property rights of our customers and our own designs may be infringed

We may encounter instances of counterfeit products sold on the e-commerce platforms. In addition, there are countries, including the PRC, where protection of patents, trademarks and other intellectual property rights may not be effective or may be limited. If we are unable to adequately protect or safeguard our intellectual property rights, our business, financial condition and results of operations and prospects may be materially and adversely affected.

Our Group's success largely depends on our ability to protect the intellectual property of our own and those of our customers. We are unable to guarantee that the intellectual property rights will not be infringed upon or misappropriated without our consent. In the event that we fail to adequately safeguard our customers' intellectual property rights, our customers can cease to share their latest designs, themes and ideas with us, and even reduce or stop placing their purchase orders. All of the foregoing will have a material adverse effect on our business, financial position and results of operations.

We are exposed to product liability, property damage or personal injury claims

During the Track Record Period, most of our products were sold to overseas markets. The products we supplied are subject to compliance with the relevant regulatory standards. We are unable to provide any assurance that our business, financial position and results of operations and prospect will not be adversely affected in the event there is a successful product claim against our Group. Further, if any product liability claim is brought against our Group, we may have to incur significant costs and expenses in defending the case and/or making payments for damages, which can cast negative impact on our reputation, business, prospects, financial position and results of operations.

Our insurance cover may not be sufficient to cover the risks associated with our operations

The occurrence of certain incidents such as war, earthquakes, floods, and other natural disasters are not covered under the current insurance policies we have in place. Where insurance cover is available, it may not be commercially viable to take complete cover over. In addition, we may also be subject to risks concerning claims on product liability in the event that any of our products are alleged to have resulted in property damage, bodily injury or other adverse effects. Losses arising from these claims may have a material adverse effect on our results of operations if they are not sufficiently covered by insurance.

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We can be adversely affected as a result of our operations in certain countries that are or become subject to evolving economic sanctions administered by the U.S., the U.N., the E.U. and Australia and other relevant sanctions authorities

During the Track Record Period, we had sales with customers from Russia and Tunisia, where individuals and certain activities may be subject to International Sanctions. The aggregate amount of our revenue generated from sales to customers from Russia and Tunisia for each of the two years ended 31 March 2017 was approximately HK\$1.0 million and HK\$0.5 million respectively, which represented approximately 1.2% and 0.8% of our total revenue for the same years, respectively. For details of the business activities with customers from Russia and Tunisia, please refer to the paragraph headed “Business — Our Customers — Business activities with customers from Russia and Tunisia” in this prospectus.

The U.S., the U.N., the E.U., Australia, other jurisdictions or organisations have comprehensive or broad economic sanctions against the sanctioned countries and/or certain activities with Sanctioned Persons. We may not be able to anticipate the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy by the U.N., the E.U., Australia and other applicable jurisdictions with respect to any current or future activities conducted by us or our affiliates in Russia and Tunisia. In addition, we cannot assure that our future business will be free of risk under sanctions implemented in these jurisdictions or that our business will conform to the expectations and/or requirements of the U.S. authorities or the authorities of any other government that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis.

Further, as many sanctions programmes are subject to changes, new requirements or restrictions can come into effect which might in turn increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable. If any of our activities are determined by the government of the U.S., the U.N., the E.U., Australia or any other governmental entity to be a violation of the sanctions imposed by them or a basis for a sanctions designation of our Company, our business and reputation can be materially and adversely affected.

Our business and performance may be adversely affected by material fluctuation in foreign exchange rates

During the Track Record Period, our sales were generally denominated in USD, including the currency used as settlement currency with third party factories. However, we cannot assure that these third party factories or any new third party factory (which our Group intended to cooperate with) will continue to accept or accept USD as the settlement currency. In the event the third party factories require RMB as the settlement currency, we will be subject to currency risks. Further, some of our administrative expenses, rental fees for our Shenzhen showroom and the salary payments to our PRC employees are settled in RMB. The exchange rate fluctuations in the currencies mentioned above may result in foreign exchange losses and hence may have a material adverse effect on our business financial condition and results of operations.

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RISKS RELATING TO OUR INDUSTRY

We are facing a competitive market

According to the Industry Report, the PRC homeware export market has entered a mature stage with stable market size and a large amount of players are active in the market. Most of the players are trading companies which usually procure and trade homogenous homeware products without brands, leading to intensified competition and potential pricing competition for the market players. We face competition from existing and new players in the homeware products industry. To compete effectively and maintain our sales level, we may be required to, along with other ways, reduce prices, provide more sales incentives to customers and increase capital expenditure. All the abovementioned actions may have a negative impact on our profit margins.

According to the Industry Report, brand owners and retailers (including department stores, supermarket and hypermarket and e-commerce platform) usually procure homeware products from their suppliers by purchase orders. Our Directors are of the view that international brand owners and licensee, chain supermarkets and renowned department stores are careful in making selection of their suppliers. They are more likely to partner with accepted and reliable suppliers on a long-term basis despite they do not enter into long-term contracts. Our Directors believe that our success depends on our ability to compete effectively against our competitors on product quality, design and development capability, customer service, pricing, timely delivery and efficiency and technical know-how. There is no assurance that we will continue to compete successfully or respond to a fast changing industry in the future, and in the event our Group fails to do so, our business, financial positions and results of operations may be adversely affected.

There may be changes in the consumer preferences and behaviour

We principally engage in design, development and supply of homeware products to mainly international brand owners and licensee, chain supermarkets and renowned department stores. According to the Industry Report, homeware products are personal items and reflect the taste of owners and customers care about both the product's functionality and design. The nature of fast-changing preferences for homeware products imposes challenges on homeware retailers who have to stay updated with the latest trends in order to remain competitive in the market. Our business is therefore subject to the changes in consumer preferences and behaviour. It is therefore essential for us to keep track of market trends, and focus on collaborating with the customers in developing product designs and ideas in order to identify market trends and consumer behaviour. In the event we are unable to respond promptly to the change in market trends and consumer behaviour, we may not be able to maintain our competitiveness and in turn our performance may be adversely affected.

We rely on the consumer spending level around the world

Our performance and profitability are dependent on the consumer consumption level and the macroeconomic conditions around the world, especially in the European markets as during the Track Record Period, Europe was our principal market. There are many factors which may impact on the consumer spending level, including but not limited to economic condition, level of disposable income, interest rates, currency exchange rates, inflation, political uncertainty, stock market performance, unemployment level, general consumer confidence, etc. According to the Industry Report, E.U. is facing the exit of U.K. and threatened by the exits of more countries as well as the migrant crisis. The lingering

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effects of U.K. having voted to leave E.U. may have negative impact on the consumer spending level in U.K. and other European countries. Deteriorating general economic conditions in the European countries may also result in customers placing fewer orders with us, potential delay and/or default in payment by the customers, and cutting or reducing our banking facilities provided by the financial institutions. All these potential events may have a negative impact on our future performance and profitability.

Potential changes in trade policies and legislation

Overseas sales of our products expose us to possible sales interruptions or cancellations and increased costs in the event of adverse actions by the United States or other foreign government agencies with respect to continued trade or enactment of legislation that restricts trade. Sales of products with shipment destinations to Europe accounted for 89.5% and 83.8% of our revenue in each of the two years ended 31 March 2017 respectively. We are unable to foresee whether customs duties, quotas or other restrictions in the United States, Europe or any other jurisdictions that are relevant to our business will be imposed in the future upon the export of our products to such regions, as a result of the matters discussed above, or because of similar United States or foreign actions. Such actions can also result in increases in the costs of imported homeware products generally, or limitations on our ability to export homeware products to such countries or regions, which may materially and adversely affect our performance or profitability.

Occurrence of epidemics, acts of war, terrorists attacks and natural disasters could affect our Group's business

According to the Industry Report, the uncertainties of global political and economic uncertainties are causing apprehension globally. Terrorism such as Islamic State poses threats to the global security. Any outbreak of epidemics or occurrence of any natural disaster, which may lead to serious disruption to the public in the affected areas, may have a material and adverse effect on our Group's business, results of operations and financial performance. Acts of war and terrorist attacks may cause damage or disruption to our Group, our Group's employees, our markets, our customers and our suppliers, any of which could materially impact our Group's sales, the procurement of products, overall results of operations and financial conditions. As a whole, any such events may cause our Group's business to suffer in ways that our Group cannot anticipate.

RISK RELATING TO CONDUCTING BUSINESS IN HONG KONG

Economic, political and social considerations

Our performance and financial condition depend on the state of the economy in Hong Kong. If there is a downturn in the economy of Hong Kong, our results of operations and financial position may be adversely affected. In addition to economic factors, social unrest or civil movements such as occupation activities may also affect the state of the economy in Hong Kong, and in such cases, our Group's operations and financial position may also be adversely affected. Since our headquarters is located in Hong Kong, any change in Hong Kong's existing political environment may affect the stability of the economy in Hong Kong, thereby affecting our results of operations and financial positions.

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RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Any change in the PRC's political, economic and social conditions, laws, regulations and policies may have a material adverse effect on us

The industry in which we are operating our business is subject to the laws and regulations of the PRC. Any change in existing laws and regulations or their interpretations that may affect our business or operations could require us to incur additional compliance costs or costly and time-consuming changes to our operations, either of which could materially and adversely affect our business, operating results and financial condition. For details of such laws and regulations, please refer to the section headed "Regulatory Overview" in this prospectus. We are unable to predict future changes in laws or regulations or enforcement policies that may affect our business or operations or to estimate the ultimate cost of compliance with such laws and regulations.

Further, the PRC economy has been transformed to a more market-oriented economy. The PRC government has implemented economic reform measures emphasising responsiveness to market forces in the development of the PRC economy. Yet, the PRC government continues to play a highly significant role in regulating industries by imposing industrial policies. Despite the implementation of such reforms, we cannot predict whether changes in the PRC's political and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, results of operations or financial condition.

We are a holding company and we rely on dividend payments from our subsidiaries for funding, which are subject to restrictions under PRC laws

We are a holding company incorporated in the Cayman Islands, and we operate our core businesses through our subsidiaries in the PRC and Hong Kong. Therefore, the availability of funds for us to pay dividends to our Shareholders and to service our indebtedness depends partially upon dividends received from these PRC subsidiaries, although our subsidiaries in the PRC did not pay any dividends to their shareholders during the Track Record Period. If our subsidiaries incur debt or losses, their ability to pay dividends or other distributions to us may be impaired. As a result, our ability to pay dividends and to repay our indebtedness will be restricted. PRC laws require that dividends be paid only out of the after-tax profit of our PRC subsidiaries calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions. PRC laws also require enterprises established in the PRC to set aside part of their after-tax profits as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to pay dividends to us. These restrictions on the availability of our funding may impact our ability to pay dividends to our Shareholders and to service our indebtedness.

The PRC legal system is in the process of continuous development and has inherent uncertainties that could limit the legal protections available to us in respect of our PRC subsidiaries' operations and to our Shareholders

The PRC legal system is based on written statutes and prior court decisions which can only be cited as reference. Since the late 1970s, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization with a view to developing a

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comprehensive system of commercial law. However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistency. Some of the laws and regulations are still in the developmental stage and are therefore subject to policy changes, many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement, or the pre-emption of local regulations by national laws. As a result, there is substantial uncertainty as to the legal protection available to us and our Shareholders.

As our Shareholder, you hold an indirect interest in our operations in China. Our operations in the PRC are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. PRC company law and regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions. In addition, PRC laws and regulations applicable to companies listed overseas do not distinguish among minority and controlling shareholders in terms of their rights and protections. As such, our minority shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States and certain other jurisdictions.

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

In utilizing the proceeds from the Share Offer, as an offshore holding company of our PRC subsidiaries, our Company may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly owned PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be filed online in the application form for record-filing of the changes of foreign-invested enterprises and we must submit relevant documents via the comprehensive management system to go through the procedures for record-filing of registered capital changes. Upon the completion of record-filing, we can collect the acknowledgement of the record-filing of the change of foreign-invested enterprises from the competent commerce authorities. We cannot assure you that we will be able to obtain these government registrations, approvals or acknowledgement on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations, approvals or acknowledgement, our ability to use the proceeds of the Share Offer and to capitalise our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

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Relevant PRC tax law may affect tax exemptions on dividends received by our Company and Shareholders and increase our PRC enterprise income tax (“EIT”) rate

Our Company is incorporated under the laws of the Cayman Islands and, following the Reorganisation, holds interests in our PRC subsidiaries indirectly through Hong Kong incorporated subsidiaries. Pursuant to the relevant tax laws as specified in the section headed “Regulatory Overview” in this prospectus, if our Company is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC or with an office or premises which has no actual relationship with the income of our Company, a withholding tax at the rate of 10% will be applied to any dividends paid by the PRC resident enterprise to our Company, unless our Company is entitled to reduction or elimination of such tax, including by tax treaties. According to the tax treaties entered into between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise in the PRC to its shareholder(s) in Hong Kong will be subject to withholding tax at a rate of 5% if the Hong Kong company directly holds a 25% or more interest in the PRC enterprise and other conditions required by the PRC laws and regulations are satisfied; otherwise, the dividend withholding tax rate is 10%. As a portion of our operations are in the PRC, we cannot rule out the possibility that our Company may also be deemed as a PRC tax resident enterprise and therefore subject to an EIT rate of 25% on our worldwide income (including dividend income received from our subsidiaries), which excludes equity investment income such as dividends and bonuses between qualified resident enterprises. As a result of the uncertainty as to whether our Company will be deemed as a “non-PRC tax resident enterprise” and for reasons as set out above, the applicable tax rate in relation to the relevant members of our Group following the Reorganisation will be different from the basis adopted in the financial information of our Group and, as such, our historical operating results will not be indicative of our operating results for future periods and the value of our Shares will be adversely affected. Further, dividends payable to corporate Shareholders outside the PRC may be subject to withholding tax at the rate of 10%.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares

Prior to the Share Offer, there was no public market for our Shares. The Offer Price was the result of negotiations between us and the Sole Bookrunner (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for the Shares following the Share Offer. If an active trading market for our Shares does not develop, the price of our Shares may be adversely affected and may decline below the Offer Price.

In addition, we are unable to make assurance that an active and liquid trading market will develop or be maintained following the completion of the Share Offer, or that the market price of our Shares will not decline below the Offer Price.

The liquidity and market price of our Shares following the Share Offer may be volatile

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenues, earnings, cash flows, new products/services/investments, changes in senior management, actions taken by competitors and general economic conditions could cause the market price of our Shares or trading volume of our Shares to change substantially and unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been

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directly related to the performance of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may materially and adversely affect the prices of shares, and as a result investors in our Shares may incur substantial losses.

The Shareholders' interests in our Company may be diluted as a result of additional equity fund raising

We may issue additional Shares to raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

Historical dividends do not guarantee future dividends

No dividends had been declared by our Group during the Track Record Period. On 21 September 2017, B&C Industries HK declared a dividend of HK\$7.0 million which will be settled before Listing. Dividends to be declared and paid in the future will be subject to, among others, the full discretion of our Directors, and would depend on our Group's future earnings, capital requirements and surplus, the general financial condition and any other factors which our Directors may consider relevant. Accordingly, the historical dividends of our Group should not be treated as an indication of the future dividend policy of our Group. Further details on the dividend policy of our Group are set out in the paragraph headed "Financial Information — Dividends" in this prospectus.

Sale or perceived sale of substantial amounts of the Shares in the public market after the Share Offer could adversely affect the prevailing market price of the Shares

The Shares beneficially owned by the Controlling Shareholders are subject to certain lock-up periods under the GEM Listing Rules. There is no assurance that the Controlling Shareholders, whose interests may be different from those of other Shareholders, will not dispose of their Shares following the expiration of the lock-up periods. Sale of substantial amounts of the Shares in the public market, or the perception that such sale may occur, could adversely affect the prevailing market price of the Shares.

The interest of the Controlling Shareholders may not always coincide with the interests of our Company and those of other Shareholders. Should there be any conflict of interests, our Company or other Shareholders may be adversely affected as a result

Upon completion of the Share Offer and the Capitalisation Issue, the Controlling Shareholders will own, in aggregate, 61.125% of the Shares in issue. The Controlling Shareholders will therefore have significant influence over the operations and business strategy of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires. The interests of the Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of the Controlling Shareholders conflict with the interests of other Shareholders, or if any of the Controlling Shareholders chooses to cause our business to pursue strategic objectives that conflict with the interests of other Shareholders, our Company or those other Shareholders may be adversely affected as a result.

RISK FACTORS

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Certain statistics and facts in this prospectus are derived from various official government sources and publications or other sources and have not been independently verified

This prospectus includes certain statistics and facts that are extracted from official government sources and publications or other sources. We believe that such statistics and facts are prepared by the relevant sources after having taken reasonable care. Whilst our Company believes that it is prudent for us to rely on such statistics and facts, there is no assurance that such statistics and facts are free from error or mistake. The statistics and facts from these sources have not been independently verified by our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Co-Lead Manager, the Underwriters, or any of their respective directors, affiliates or advisers or any other party involved in the Share Offer and no representation is given as to their accuracy and completeness. Due to possible flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such statistics or facts.

Forward-looking statements in this prospectus may prove inaccurate

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. The actual financial results, performance or achievements of our Group may differ materially from those discussed in this prospectus.

You should read this entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us, our industry or the Share Offer

There may be press articles, media coverage and/or research analyst reports regarding us, our industry or the Share Offer, which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press, media or research analyst report and we make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Investors should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making investment decision regarding the Share Offer. We do not accept any responsibility for any such press articles, media coverage or research analyst report or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective

RISK FACTORS

investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus. By applying to purchase our Shares in the Share Offer, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

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 and the GEM 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 ON THE SHARE OFFER

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

Details of the structure of the Share Offer, including its conditions and the arrangements relating to the Offer Size Adjustment Option, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed “How to Apply for Public Offer Shares” in this prospectus and in the relevant Application Forms.

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

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer which is sponsored by the Sole Sponsor and managed by the Sole Bookrunner. The Public Offer Shares are fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Shares are fully underwritten by the Placing Underwriters pursuant to the Placing Underwriting Agreement. For further information relating to the Underwriters and the underwriting arrangements, please refer to the section headed “Underwriting” in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on or around Monday, 9 October 2017 (Hong Kong time) or such later date as the Sole Bookrunner (for itself and on behalf of

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

the Underwriters, and our Company may agree. If, for any reason, the Offer Price is not agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) by the Price Determination Date, the Share Offer will not proceed and will lapse.

RESTRICTIONS ON SALE OF THE OFFER SHARES

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite to solicit offers in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this prospectus are deemed to have confirmed with our Company, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Co-Lead Manager and the Underwriters that such restrictions have been observed.

Each person acquiring the Public Offer Shares under the Public Offer will be required to confirm, and is deemed by his acquisition of the Offer Shares, to have confirmed that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and the Application Forms and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdiction pursuant to registration with or authorisation by the relevant regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

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 and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

OFFER SIZE ADJUSTMENT OPTION

For details of the Offer Size Adjustment Option, please refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Department for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the Listing of, and permission to deal in, the Offer Shares on GEM is refused before the expiration of three weeks from the date of the closing of the Share Offer, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange, then any allotment made on application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the total issued share capital of our Company in the hands of the public.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Monday, 16 October 2017 under the stock code 8392. Shares will be traded in board lots of 10,000 each. Our company will not issue any temporary document of title.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance 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 GEM or on 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.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice from your stockbrokers or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares, you should consult your professional adviser. It is emphasised that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Co-Lead Manager, the Underwriters, any of their respective directors, officers, employees, agents or advisers or any other person involved in the Share Offer 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 Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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 GEM, unless the Stock Exchange otherwise agrees.

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

Unless our Company determines otherwise, dividends payable in Hong Kong dollars in respect of the Shares will be sent by ordinary post at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this 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. If there is any inconsistency, the Chinese name prevails.

EXCHANGE RATE CONVERSION

Unless otherwise specified, this prospectus contains translations for the convenience of the reader the following rates: HK\$ into US\$ at the rate of HK\$7.80 = US\$1.00 and HK\$ into RMB at the rate of HK\$1.00 = RMB0.89. These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in HK\$ or US\$ can be or could have been at the relevant dates converted at the above rates or any other rates at all.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. She Leung Choi (佘良材)	Flat E, 36/F. Block 2, Royal Ascot 1 Tsun King Road Fotan, Shatin New Territories Hong Kong	Chinese
Ms. Chan Lai Yin (陳麗燕)	Room D, 5/F. Dominion Heights, Belair Garden 52 Tai Chung Kiu Road Shatin New Territories Hong Kong	Chinese
Mr. She Leung Ngai Alex (佘良霓)	Room 3116, Hin Yeung House Hin Keng Estate, Shatin New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Ho Kim Ching (何劍菁)	Flat B, 37/F. Nam Fung Court Harbour Heights 1 Fook Yum Road North Point Hong Kong	Chinese
Mr. Chan Ching Sum Sam (陳錚森)	Room 3304, 33/F. Block B, Fai Ming House Chung Ming Court Tseung Kwan O New Territories Hong Kong	Chinese
Ms. Fan Pui Shan (樊佩珊)	Flat B, 38/F. Block 2, Illumination Terrace 7 Tai Hang Road Tai Hang Hong Kong	Chinese

Please refer to the section headed “Directors and Senior Management” in this prospectus for further information.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	Sunfund Capital Limited Unit 2620, 26/F. Tower 1, Admiralty Centre 18 Harcourt Road, Admiralty Hong Kong
Sole Bookrunner and Lead Manager	Emperor Securities Limited 23–24/F, Emperor Group Centre 288 Hennessy Road, Wanchai Hong Kong
Co-Lead Manager	Sunfund Securities Limited Unit 702–3, 7/F 100 Queen’s Road Central Hong Kong
Public Offer Underwriters	Emperor Securities Limited 23–24/F, Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong Sunfund Securities Limited Unit 702–3, 7/F 100 Queen’s Road Central Hong Kong
Legal advisers to our Company	<i>as to Hong Kong law</i> Loeb & Loeb LLP 21st Floor, CCB Tower 3 Connaught Road Central Hong Kong <i>as to PRC law</i> Kaitong Law Firm Units 3409–3412 Guangzhou CTF Finance Center, 6 Zhujiang Road East, Zhujiang New Town, Tianhe District Guangzhou The PRC

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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as to Cayman Islands law
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

as to U.S. and U.N. sanctions law
Loeb & Loeb LLP
10100 Santa Monica Boulevard
Suite 2000
Los Angeles, CA 90067
U.S.

as to E.U. and Australian sanctions law
Hogan Lovells
11th Floor
One Pacific Place
88 Queensway
Hong Kong

**Legal advisers to the Sponsor
and Underwriters**

as to Hong Kong law
Howse Williams Bowers
27/F., Alexandra House
18 Chater Road, Central
Hong Kong

as to PRC law
Global Law Office
26 Floor, 5 Corporate Avenue
150 Hubin Road, Huangpu District
Shanghai
The PRC

Auditors and reporting accountants

RSM Hong Kong
Certified Public Accountants
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong

Tax advisers

RSM Tax Advisory (Hong Kong) Limited
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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Internal control consultant

RSM Consulting (Hong Kong) Limited
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong

Receiving bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters, head office and principal place of business in Hong Kong	Unit 2504, 25th Floor Nanyang Plaza 57 Hung To Road Kwun Tong, Kowloon Hong Kong
Place of business in the PRC	Units 01 to 11, 23/F Oriental Plaza Luohu, Shenzhen the PRC
Company website	www.bnc.cc <i>(information contained in this website does not form part of this prospectus)</i>
Company secretary	Tsang Wing Kiu (CPA) Flat A, 9/F Kwong Fai Mansion 13 Kwong Wa Street Mongkok, Kowloon Hong Kong
Authorised representatives	She Leung Choi Flat E, 36/F Block 2, Royal Ascot Fotan, Shatin New Territories Hong Kong Tsang Wing Kiu Flat A, 9/F Kwong Fai Mansion 13 Kwong Wa Street Mongkok, Kowloon Hong Kong

CORPORATE INFORMATION

Compliance officer	She Leung Choi Flat E, 36/F. Block 2, Royal Ascot Fotan, Shatin New Territories Hong Kong
Compliance adviser	Sunfund Capital Limited
Audit committee	Ho Kim Ching (<i>Chairman</i>) Chan Ching Sum Sam Fan Pui Shan
Remuneration committee	Chan Ching Sum Sam (<i>Chairman</i>) She Leung Choi Ho Kim Ching
Nomination committee	Chan Ching Sum Sam (<i>Chairman</i>) She Leung Choi Ho Kim Ching
Risk management committee	Chan Lai Yin (<i>Chairman</i>) She Leung Ngai Alex Fan Pui Shan
Principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Hong Kong branch share registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banker	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong

INDUSTRY OVERVIEW

This section contains certain information, statistics and data which is derived from a report commissioned by us and prepared by Frost & Sullivan, an Independent Third Party. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While we have exercised reasonable care in compiling and reproducing such information from official government publications, it has not been independently verified by us, our Controlling Shareholders, our Directors, the Sole Sponsor, the Sole Bookrunner and Lead Manager, the Co-Lead Manager, the Underwriters) or any other parties involved in the Share Offer. The information from official government publications may not be consistent with the information available from other sources within or outside Hong Kong. We, our Controlling Shareholders, our Directors, the Sole Sponsor, the Sole Bookrunner and Lead Manager, the Co-Lead Manager, the Underwriters or any other parties involved in the Share Offer other than Frost & Sullivan with respect to the information contained in the Industry Report do not make any representation as to the accuracy, completeness or fairness of such information from official government publications and, accordingly, you should not unduly rely on such information from official government publications.

SOURCE OF INFORMATION

Our Group commissioned Frost & Sullivan to conduct an independent analysis of the global, European and the PRC homeware products market for the period from 2012 to 2021 and have agreed to pay a fee of approximately HK\$470,000 for the preparation of the Industry Report, which our Directors consider that such fee reflects market rates.

Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Frost & Sullivan, with four offices in Hong Kong and the PRC, is direct access to the most knowledgeable experts and market participants.

Our Directors confirm that, after taking reasonable care, there is no material adverse change in the market information since the issue date of the abovementioned sources which may qualify, contradict or have adverse impact on the information in this section.

We have extracted certain information from the Industry Report in this section, as well as in the sections headed "Risk Factors" and "Business" and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industries in which we operate.

ASSUMPTIONS ADOPTED IN THE INDUSTRY REPORT

In compiling and preparing the Industry Report, Frost & Sullivan adopted the following methodologies to collect multiple sources, validate the data and information collected, and cross-check each respondent's information and views against those of others: (i) primary research includes interviewing industry insiders, competitors, downstream customers and recognised third-party industry associations; and (ii) secondary research includes reviewing corporate annual reports, databases of relevant official authorities, independent research reports and publications, as well as the exclusive database established by Frost & Sullivan over the past decades.

The forecasts were made by Frost & Sullivan based on the following assumptions:

- The social, economic and political conditions in China, Europe and the world currently discussed will remain stable during the forecast period;

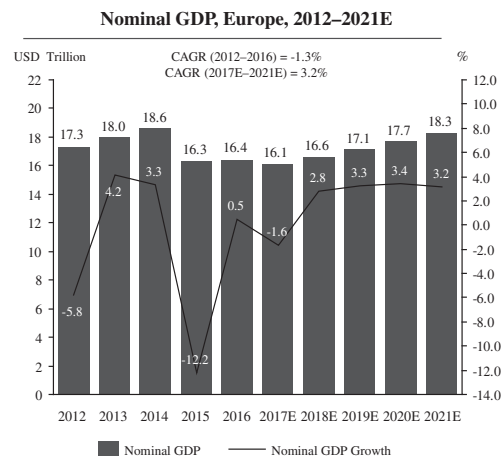
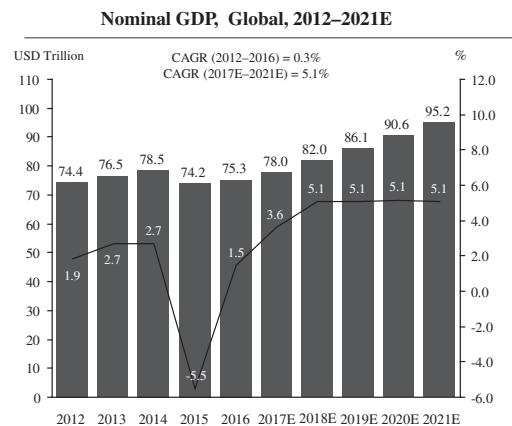
INDUSTRY OVERVIEW

- Government policies on homeware products industry in China and Europe will remain unchanged during the forecast period; and
- The homeware products export market in China will be continuously growing driven by increasing demand from emerging and developing markets, development of cross-border e-commerce, continuous improvement of manufacturing level of homeware products and depreciation of RMB.

GLOBAL AND EUROPE MACRO ECONOMY OVERVIEW

Nominal GDP and GDP Growth

The global GDP increased from USD74.4 trillion in 2012 to USD75.3 trillion in 2016, with a CAGR of 0.3%, and is expected to increase to USD95.2 trillion in 2021, with a CAGR of 5.1% from 2017 to 2021, stimulated by economic recovery in Europe and rebounding inflation rate globally. The nominal GDP of Europe decreased from USD17.3 trillion in 2012 to USD16.4 trillion in 2016, with a CAGR of -1.3%, affected by exchange rate fluctuations in EUR over that period, aging population in Europe and economic uncertainty from sovereign debt crisis. The nominal GDP in Europe denominated in USD is forecasted to fall slightly in 2017 to USD16.1 trillion mainly attributable to expected depreciation of EUR against USD under the strong USD due to interest rate hike in the U.S.. The nominal GDP of Europe is expected to increase to USD18.3 trillion in 2021, with a CAGR of 3.2% from 2017 to 2021, as a result of stabilisation of political environment, easy monetary policies adopted in Europe and flat exchange rate of USD against EUR.



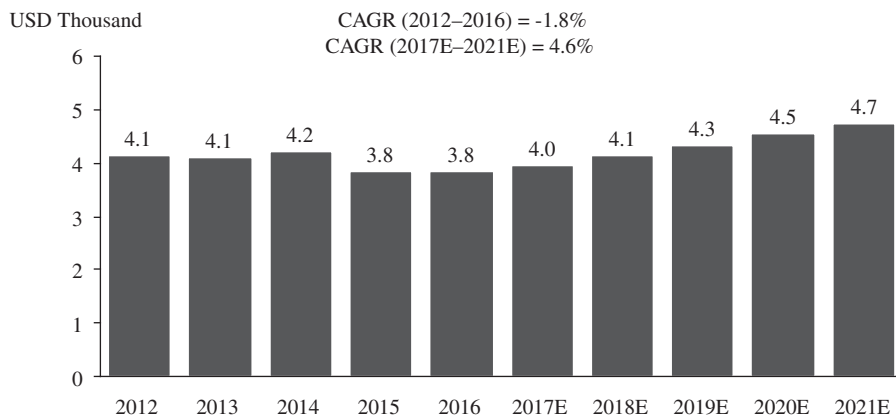
Source: IMF, Frost & Sullivan

INDUSTRY OVERVIEW

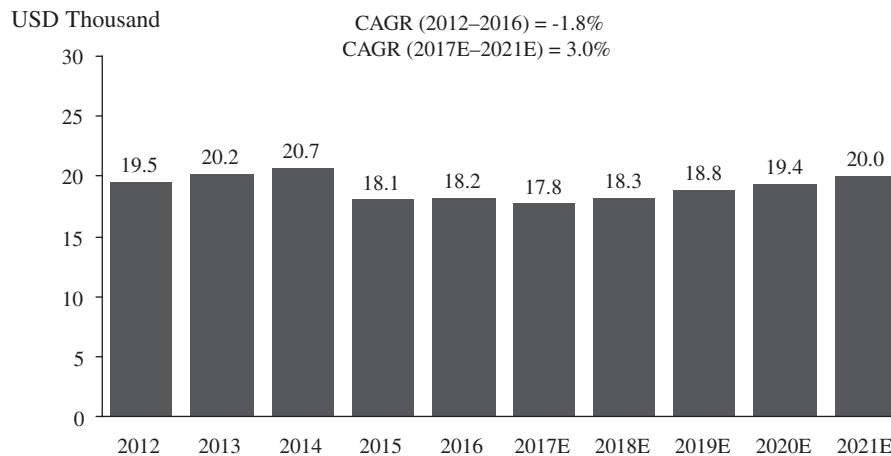
Per Capita Household Expenditure

The global per capita household expenditure decreased from approximately USD4.1 thousand in 2012 to approximately USD3.8 thousand in 2016, with a CAGR of -1.8%. The global per capita household expenditure is expected to increase to approximately USD4.7 thousand in 2021, with a CAGR of 4.6% from 2017 to 2021, considering the growing household expenditure in emerging markets such as Vietnam. European customers, who have higher income, generally have higher homeware expenditures than global average. The per capita household expenditure in Europe amounted to approximately USD18.2 thousand in 2016, decreased from approximately USD19.5 thousand in 2012, with a CAGR of -1.8%. The per capita household expenditure in Europe is forecasted to fall slightly in 2017, along with slight per capita nominal GDP from approximately USD18.2 thousand in 2016 to approximately USD17.8 thousand in 2017, mainly due to the expected depreciation of EUR against USD. It is expected that per capita household expenditure in Europe increase moderately to approximately USD20.0 thousand in 2021, with a CAGR of 3.0% from 2017 to 2021, given that the economy in Europe is expected to grow at a moderate rate and the nominal GDP in Europe is expected to increase to USD18.3 trillion in 2021 and as a result of expected flat exchange rate of USD against EUR in 2018 to 2021.

Per Capita Household Expenditure, Global, 2012–2021E



Per Capita Household Expenditure, Europe, 2012–2021E



Source: IMF, Frost & Sullivan

INDUSTRY OVERVIEW

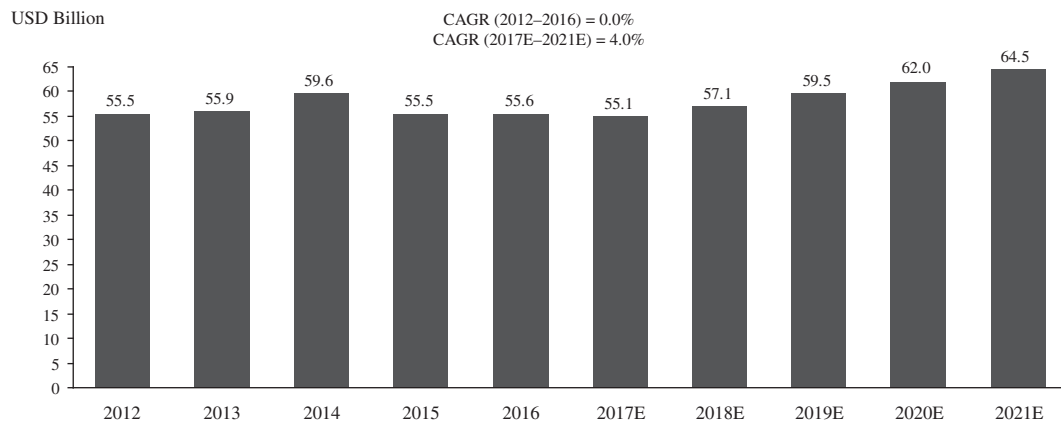
EUROPE HOMEWARE PRODUCTS MARKET

Homeware products are products primarily used in household, including home decorations, bathroom accessories, kitchenware and tableware and household daily hardware. Large household items such as furniture and electrical appliances are not classified as homeware products. The customers of homeware product suppliers mainly include brand owners and licensees and retailers. Homeware brand owners generally procure homeware products through their suppliers and sell the products through their retail channels at higher prices. Typical retail channels include department stores, supermarkets, specialty homeware products retailers and e-commerce platforms, etc.

Homeware Products Retail Market in Europe

The market size of homeware products retail market in Europe was stable, increased slightly from USD55.5 billion in 2012 to USD55.6 billion in 2016. Europe relies heavily on import of homeware products, thus the depreciation of EUR in 2015 led to the decrease of market size. The market size of homeware products retail market in Europe is expected to decrease slightly to USD55.1 billion along with the expected drop in 2017 per capita household expenditure and are expected to increase at a moderate rate to USD64.5 billion in 2021, with a CAGR of 4.0% from 2017 to 2021 as a result of economic recovery and the increase in per capita household expenditure during 2018 to 2021. Retail sales value of homeware products are higher in the fourth quarter each year because of major holidays such as Christmas during such period.

Market Size of Homeware Products Retail Market, Europe, 2012–2021E



Source: Frost & Sullivan

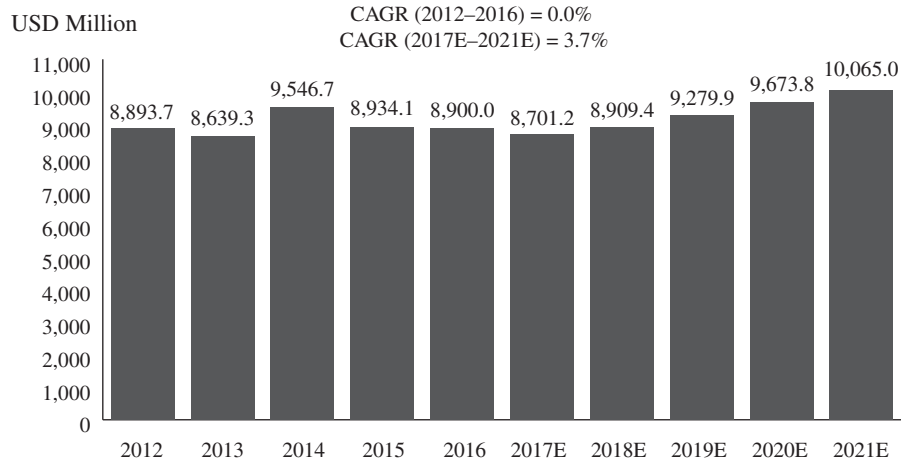
Import Value of Homeware Products in Europe

Homeware products in Europe are mainly imported from other countries. A large portion of the homeware products imported are imported by homeware brand owners and licensees in Europe and they then sell the imported original equipment manufactured products and original design manufactured products at higher prices in the European market. The import value of homeware products by Europe was relatively stable in 2012 to 2016, increased slightly from USD8,893.7 million in 2012 to USD8,900.0 million in 2016. The drop of import value in 2015 is partially affected by the depreciation of EUR against USD. It is expected that import value of homeware products will reach USD10.1 billion

INDUSTRY OVERVIEW

in 2021, at a CAGR of 3.7% from 2017 to 2021 alone with the growing homeware retail market in Europe.

Import Value of Homeware Products, Europe, 2012–2021E

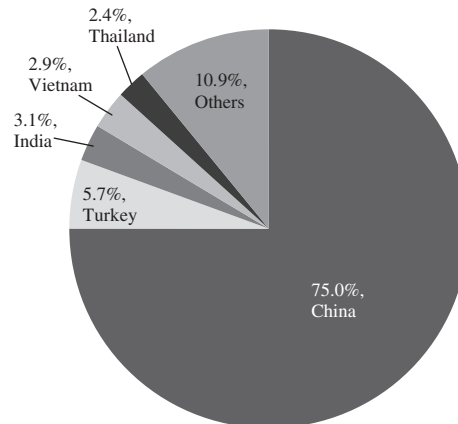


Source: European Commission, Frost & Sullivan

China (including mainland China and Hong Kong) is the major country which accounted for approximately 75.0% of the homeware products imported by Europe in 2016. Other major countries which Europe imported homeware products from include Turkey, India, Vietnam and Thailand. Germany, the U.K., Netherlands, France, Italy are the top five destination countries of homeware products import in Europe. In 2016, approximately 22.3% and 19.1% of total homeware products imported by Europe were imported to Germany and the U.K., respectively.

Homeware Products Import Value by Countries, Europe, 2016

Total = USD8,900.0 million



Source: European Commission, Frost & Sullivan

INDUSTRY OVERVIEW

Market Trends of Europe Homeware Products Retail Market

1. Smarter and Innovative Designs

As European consumers are seeking for more fashionable lifestyles and they increasingly desire more for smart and innovative homeware designs. Innovative homeware products which combine functionality and aesthetic design are welcomed in the European market. In addition, technology gadgets which connect traditional homeware products with mobile devices also enter the homeware product market and more innovative homeware designs are expected to be introduced by them.

2. Branding via Social Media Growing

It is a trend that social media has been gradually replacing the traditional advertising channel in the homeware products market. Social media provides multiple advantages over the traditional advertising channel. It not only facilitates direct customer interactions, but it is also more efficient in establishing brand images. As a result, more European homeware products market players are branding through social media.

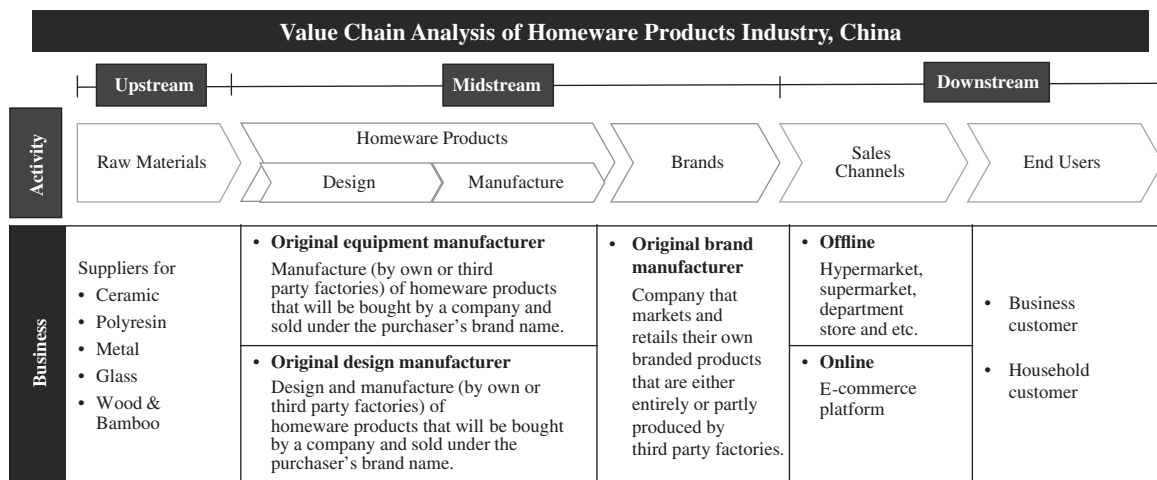
3. Crossover of Non-traditional Homeware Product Providers

As borders between different retail markets are becoming vague, some non-traditional homeware product providers are entering into the homeware products market in order to take advantage of their established brand influences among customers. In addition, some technology companies have also launched various smart houseware products independently or partnering with traditional houseware retailers. As a result, the competition in homeware products market has become fiercer.

CHINA HOMEWARE PRODUCTS EXPORT INDUSTRY

The value chain of homeware products export industry in China consists of raw material providers, homeware product suppliers, homeware product production factories, homeware brand owners and licensees and sales channels. In the homeware product export industry, brand owners and licensees or retailers usually select suppliers to design and manufacture products based on their requirements so that they can leverage their advantages in research and development, marketing and branding. It is common for these suppliers to partner with third party factories for manufacture of products based on their designs and fulfilling their orders so that they can (i) focus on enhancing their design and business development capacity and secure higher profit margin; (ii) remain flexible in selecting production technologies; and (iii) optimise economic efficiency by saving capital expenditure and other operating costs on production facilities.

The below illustrates the value chain of homeware products industry in China:



Source: Frost & Sullivan

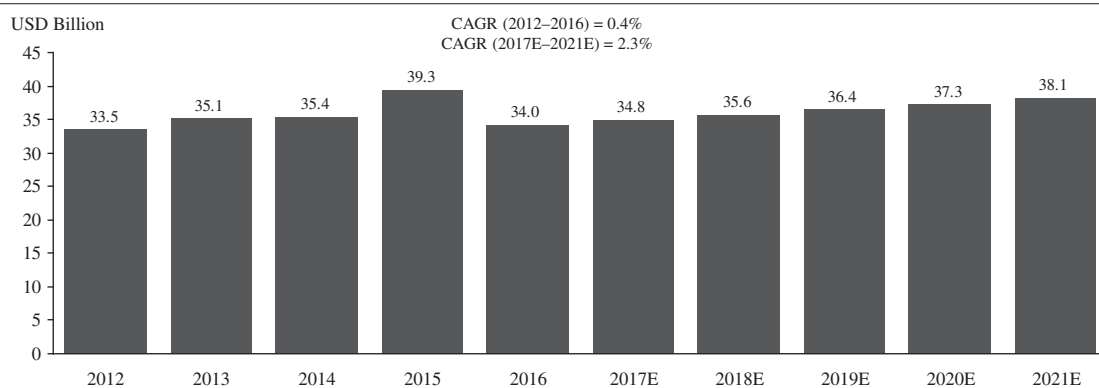
INDUSTRY OVERVIEW

Export Value of Homeware Products in China

Due to the uncertainties of the global economy, China's (including mainland China and Hong Kong) export to the rest of the world experienced pressure of downturn in the past years, the export value of homeware products in China merely increased from USD33.5 billion in 2012 to USD34.0 billion in 2016, with a CAGR of 0.4%. Mainly driven by the strong performance of ceramic and plastic products which are receiving greater popularity, export value of homeware products in China increased from USD35.4 billion in 2014 to USD39.3 billion in 2015. However, it fell back to an average level of USD34.0 billion in 2016, partly attributable to the sharp depreciation of RMB against USD, decreased by 13.4% compared with 2014.

China's homeware product export market is mature with a stable market size and well-developed industry value chain. As necessary products in daily life, homeware products are expected to see continuous growth in sales value along with household and personal consumption globally, driving the steady growth of homeware product export market. With the continuous recovery of global economy, China's outward strategies and increasing price competitiveness of China's export products as a result of continuous depreciation of RMB, export value of homeware products in China is expected to increase to USD38.1 billion in 2021, indicating a CAGR of 2.3% from 2017 to 2021.

Export Value of Homeware Products, China, 2012–2021E

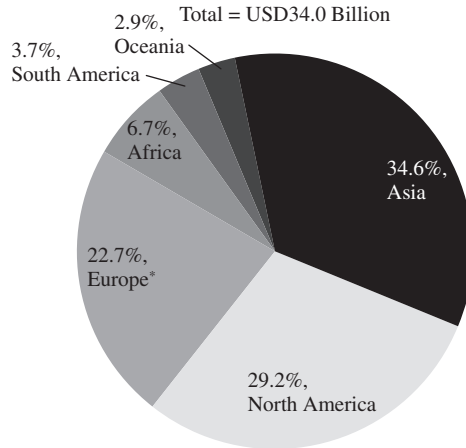


Source: UN Comtrade Database, Frost & Sullivan

China's homeware products are mainly exported to Asia, North America and Europe. In 2016, North America and Europe accounted for approximately 29.2% and 22.7% of total export value in 2016, respectively. China's homeware product export market by destination countries is rather diversified. The top two import countries of China's homeware products in 2016 are the U.S. and the UK which accounted for approximately 23.3% and 4.0% of total export value respectively. Furthermore, except for the United States and the UK, export value all other destination countries are below 4.0%. The diversification of China's homeware products export market increased the competitiveness of the industry, resisting the risk of decrease in import from some destination countries.

INDUSTRY OVERVIEW

Export Value Breakdown by Destination Regions, China, 2016



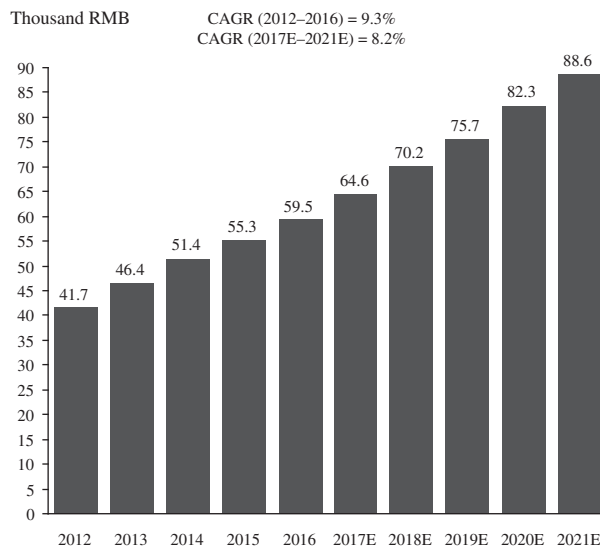
* Europe includes EU-28 and other European countries.

Source: General Administration of Customs of the People's Republic of China, Frost & Sullivan

Labour Costs Analysis in China

The average wages of workers in urban manufacturing units in China increased from approximately RMB41,650 per year in 2012 to approximately RMB59,470 per year in 2016, with a CAGR of 9.3%. It is expected that the average wages in 2017 will increase at a year-on-year growth of 8.7%, increasing from 7.5% in the previous year, as a result of recovering inflation rate in China. With the continuous growth of China's economy, the average wages of workers urban manufacturing units are expected to grow to approximately RMB88,636 per year, indicating a CAGR of 8.2% from 2017 to 2021. The ongoing economic structural adjustments, including elimination of over manufacturing capacity, upgrade of industrial structure and promotion of intelligent manufacturing technologies, increase the efficiency of manufacturing industry in China, improving the operation performance of manufacturing companies. The business growth of manufacturing industry is driving the continuous increase of workers' wages.

Average Wages of Workers in Urban Manufacturing Units, China, 2012–2021E



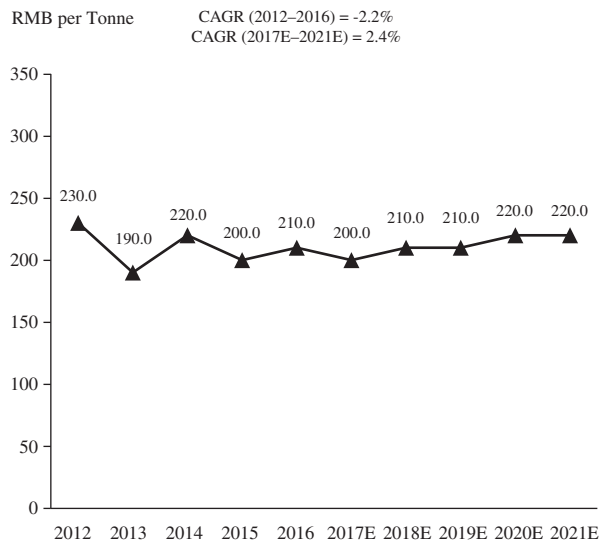
Source: NBS, Frost & Sullivan

INDUSTRY OVERVIEW

Raw Materials Price Analysis

Feldspar powder is the major raw material for ceramic homeware products. Price of feldspar powder in China is mainly influenced by the production plan of major feldspar powder producers. The average price of feldspar powder in China decreased from RMB230 per tonne in 2012 to RMB210 per tonne in 2016, at a CAGR of -2.2%, which was mainly due to the over supply of feldspar powder during that period resulted from the rapid expansion of feldspar powder production plant. It is expected that the average price of feldspar powder will increase from approximately RMB200 per tonne in 2017 to approximately RMB220 per tonne in 2021, at a CAGR of 2.4%, which is mainly due to stabilising supply of feldspar powder and slow down in production expansion influenced by stringent requirements and policies imposed on production plants in relation to environmental and safety aspects.

Average Prices of Feldspar Powder, China 2012–2021E

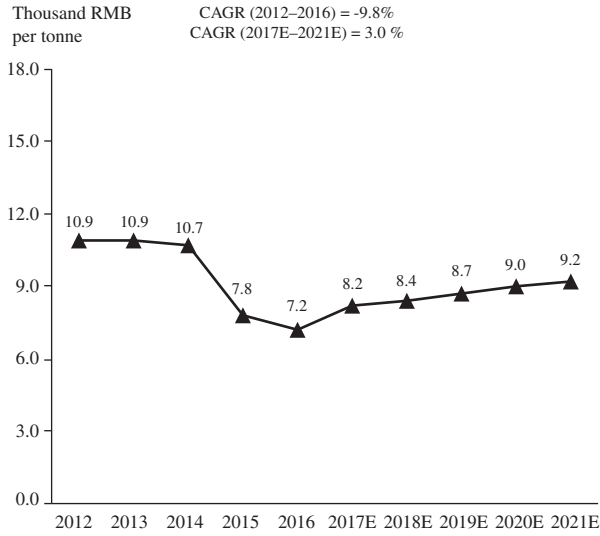


Source: Frost & Sullivan

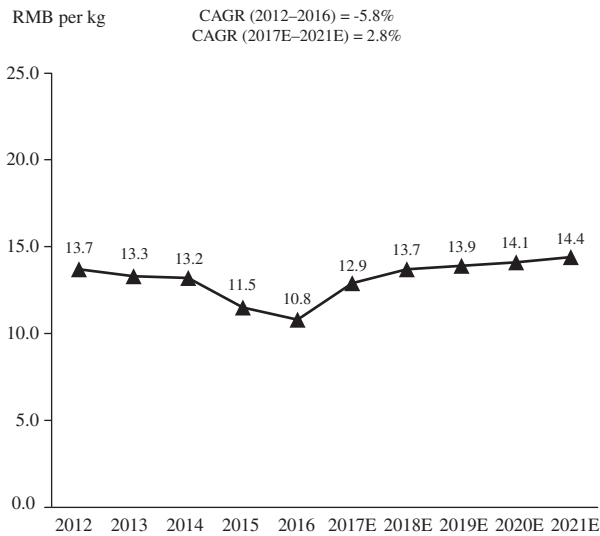
Resins, polypropylene and steel are major raw materials of homeware products made of plastics and stainless steel. The average price of polypropylene experienced significant decline in 2015 with the slump of oil price. Driven by the slow recovery of oil price, the average price of polypropylene is forecasted to reach RMB9.2 thousand per tonne in 2021. Price of resins changes generally with that of crude oil. The average price of resins recorded a decreasing trend after 2012 and is expected to rebound and increase slightly in the forecasted period along with rising price of oil price. The price of steel decreased between 2012 and 2015 due to the oversupply of steel. Driven by Chinese government's attempt to cut the excessive capacity, the price of steel recovered in 2016 and is expected to rise from 2017 to 2021.

INDUSTRY OVERVIEW

Average Prices of Polypropylene (PP, Powder), China, 2012–2021E

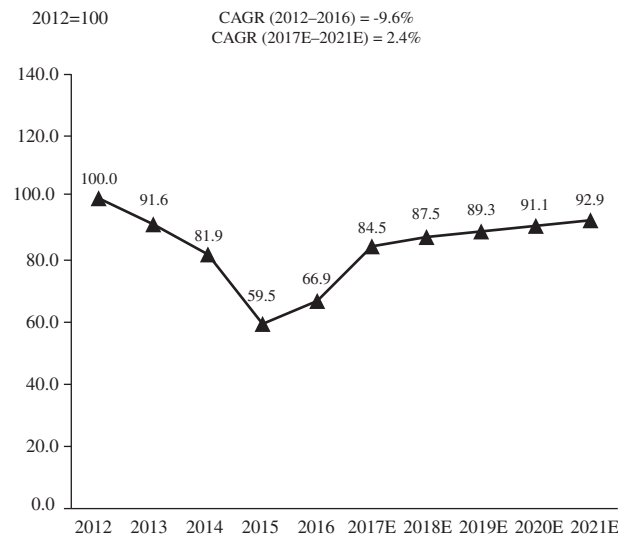


Average Prices of Main Resin (ABS Resin), China, 2012–2021E



INDUSTRY OVERVIEW

Price Index of Steel, China, 2012–2021E



Source: Frost & Sullivan

Drivers of China Homeware Products Export Industry

1. Increasing Demand from Overseas Markets

It is expected to have a strong demand on China's homeware products from both developed countries and developing countries. Driven by the economic recovery in Europe, per capita household expenditures globally and in Europe is expected to increase at CAGRs of 4.6% and 3.0% respectively, from 2017 to 2021. Market size of Europe homeware retail market is also expected to reach USD64.5 billion by 2021. In addition, with rising preference for high-quality products which are sold at higher export values, China's export to developed markets such as North America and Europe will continue to grow steadily. Demand on China's homeware products from emerging and developing countries such as Vietnam is expected to increase as a result of their growing homeware products consumption.

2. Development of Cross-border E-commerce

China is leading the world in the development of cross-border e-commerce with well-developed logistic system and large e-commerce companies, which facilitates the export of homeware products from homeware product suppliers in China directly to overseas customers, such as those in Europe and the US, by providing more choices of homeware products and simplifying the transaction process. According to the Industry Report, e-commerce market in Europe has seen a rapid growth from 2012 to 2016, with the market size increasing from EUR263.0 billion to EUR456.0 billion at a CAGR of 14.7%, which indicated increasing business opportunities for China homeware product suppliers to export their products through e-commerce platforms. By cross-border e-commerce, homeware product providers can achieve higher revenue and profits and improve their competitiveness.

3. Continuous Improvement of Manufacturing Level of Homeware Products

The manufacturing level of homeware products in China has increased continuously in the fields of design, application of new materials and automation equipment. The homeware products made in China can be customised for meeting various demands for guaranteed high quality and eco-friendliness from customers.

4. *Depreciation of RMB*

In the past two years, the exchange rate of RMB against USD depreciated from approximately 6.12 at the end of 2014 to approximately 6.94 at the end of 2016, with a change of 13.4%. The depreciation of RMB increases the price competitiveness of China's homeware products over the local products of overseas markets, boosting the export of homeware products in China.

Entry Barriers of China Homeware Products Export Industry

1. *Customer Barrier*

The customers in China's homeware products export market are mainly homeware brand owners and licensees, chain supermarkets and department stores. They have specific requirements on quality and design of homeware products and strict process in selecting qualified suppliers. Therefore, it takes time and effort to establish a solid customer base in the export market.

2. *Design and Production Capability Barrier*

As the consumers' preference towards homeware products changes constantly and varies substantially in different foreign markets, strong design capacities in the respects of different areas such as styling, colour, materials, etc. are required to meet the needs of overseas customers.

In addition, developed markets such as North America and Europe, which accounted for a large portion of China's homeware products export values have high requirements on product quality, thus the market players need to guarantee stable and leading quality assurance and manufacturing capabilities.

Also, in order to be price competitive in the international market, the market players in China's export market are required to ensure production efficiency and secure reasonable prices from their suppliers like third party factories and raw materials suppliers.

3. *Product Management Barrier*

Homeware products include thousands of small categories and large amount of stock keeping units. It is crucial to establish an efficient product management system to manage the process of product development, procurement, manufacturing and sales.

Market Trends of China Homeware Products Export Industry

1. *Diversity of Sales Channels*

From the respects of both destination countries and customers, China's homeware products export market has shown significant diversity. On one hand, the proportion of export value of homeware products imported by emerging and developing countries is increasing. On the other hand, more homeware products are sold through e-commerce platform in addition to various offline channels.

2. *Integrated Materials*

The application of integrated materials, which combines the properties and appearances of different raw materials, has been an important trend in the industry. Utilising the properties and appearance of different materials helps to add more practical functions to homeware products as well as enabling new styling of products. For example, a cup made of stainless steel and protected with a wooden shield can be easy to clean and heat insulated at the same time.

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3. *Brand Building*

In the past, most of China's homeware products suppliers act as suppliers in the overseas homeware products market. However, in recent years, more homeware products suppliers in China are building their own brands in the overseas markets to further expand their business and gain more profits. The development of sales channels and increasing design and production capacity enable the homeware products exporters in China to establish competitiveness of their own brands.

COMPETITIVE LANDSCAPE OF CHINA HOMEWARE PRODUCTS EXPORT INDUSTRY

According to the Industry Report, the homeware products export market in China is fragmented and competitive with approximately 10,000 market players. The players in China's homeware products export industry is mainly divided into three categories: (i) homeware trading company, which mainly trade homogenous homeware products in lower quality and at large bunch size and they are the largest category in terms of China's homeware products export value; (ii) specialty homeware company, which mainly focus on manufacturing and selling homeware products made of one kind of material; and (iii) comprehensive homeware company which provides homeware products of various styling and materials. Having considered the characteristics of these categories, they are competing at their own strengths in the sense that homeware trading companies, specialty homeware companies and comprehensive homeware companies are mainly compete in terms of price, specialty in raw materials and product designs and quality, respectively. Under such industry environment and circumstances that the concentration in the market would be entirely low, market share of the Company is approximately 0.02%.

Comprehensive homeware companies which the Company belongs to, have substantial understanding on the homeware products market in terms of customer preference, development trends. They supply products in stylish design and at good quality. The number of comprehensive homeware companies is relatively small but they usually serve clients with higher design and quality requirements and supply products at higher selling prices. Success factors of comprehensive homeware companies in the market mainly depend on their relationships with customers mainly comprise of brand owners and licensees as well as retailers, their design and development capabilities to satisfy needs and preference of target end-user customers, capability to manage the whole production processes of third party factories for different materials and stable product quality delivered to customers.

REGULATORY OVERVIEW

Our business operations are based in Hong Kong and the PRC and a significant portion of our revenue is derived from the sales to customers in Europe. The relevant Hong Kong, PRC and European laws and regulations applicable to the operations and business of our Group are summarised in this section.

REGULATIONS IN HONG KONG

Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (the “TDO”)

The TDO prohibits false trade descriptions, false, misleading or incomplete information, false marks and misstatements in respect of goods provided in the course of trade or by suppliers of such goods.

Under section 7 of the TDO, any person who (i) in the course of any trade or business applies a false trade description to any goods or supplies or offers to supply any goods to which a false trade description is applied; or (ii) has in his possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied commits an offence.

Under section 7A of the TDO, a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer, or supplies or offers to supply to a consumer a service to which a false trade description is applied commits an offence. Sections 13E, 13F, 13G, 13H and 13I of the TDO provide that a trader commits an offence if the trader engages, in relation to a consumer, in a commercial practice that is a misleading omission or is aggressive, or that constitutes bait advertising, a bait and switch or wrongly accepting payment for a product.

Anyone who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I of the TDO shall be liable, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years, and on summary conviction, to a fine of HK\$100,000 and to imprisonment for 2 years.

Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) (the “TMO”)

The TMO regulates the registration of trademarks, the use of registered trademarks and related matters. As the trademark registration system of Hong Kong provides territorial protection, trademarks registered in other countries or regions do not automatically receive protection in Hong Kong. In order for trademarks to be protected in Hong Kong, they must be registered under the TMO and the Trade Marks Rules (Chapter 559A of the Laws of Hong Kong).

Section 14 of the TMO provides that the owner of a registered trademark has exclusive rights in the trademark which are infringed by use of the trademark in Hong Kong without his consent. Section 18 of the Trade Marks Ordinance specifies what amounts to infringement of registered trade mark, which is subject to the exceptions stipulated in sections 19 to 21 of the TMO. For instance, a person infringes a registered trade mark if he uses in the course of trade or business a sign which is identical to the trade mark in relation to goods or services which are identical to those for which it is registered.

The TMO provides that the owner of a registered trade mark has the rights and is entitled to the remedies provided by it, for example, damages, injunctive relief, order for the infringing goods be forfeited or destroyed.

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As nothing in the TMO affects the law relating to passing off, unregistered trademarks in Hong Kong may still obtain protection by the common law action of passing off.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the “EO”)

The EO provides for, amongst other things, the protection of the wages of employees, to regulate employment-related matters. Under section 25 of the EO, where a contract of employment is terminated, any sum due to the employee shall be paid to him as soon as it is practicable and in any case not later than seven days after the day of termination. Any employer who wilfully and without reasonable excuse contravenes section 25 of the EO commits an offence and is liable to a maximum fine of HK\$350,000 and to imprisonment for a maximum of three years. Further, under section 25A of the EO, if any wages or any sum referred to in section 25(2)(a) are not paid within seven days from the day on which they become due, the employer shall pay interest at a specified rate on the outstanding amount of wages or sum from the date on which such wages or sum become due up to the date of actual payment. Any employer who wilfully and without reasonable excuse contravenes section 25A of the EO commits an offence and is liable on conviction to a maximum fine of HK\$10,000.

REGULATIONS IN THE PRC

We are principally operated through our subsidiaries in the PRC, set out below are summaries of certain aspects of the PRC laws and regulations which are relevant to the operation and business of our subsidiaries in the PRC.

Foreign Investment Policy

The establishment, operation and registration of corporate entities in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》) (the “**PRC Company Law**”), which was promulgated by the National People’s Congress (the “**NPC**”) Standing Committee (the “**NPCSC**”), and was last amended on 28 December 2013 and became effective on 1 March 2014, and the Regulations of the PRC on the Administration of Company Registration (《中華人民共和國公司登記管理條例》) (the “**Regulations on Company Registration**”), which was promulgated by the State Council and was last amended on 6 February 2016. Except where laws on foreign investment stipulate otherwise, the PRC Company Law and the Regulations on Company Registration shall also apply to foreign-invested enterprise.

Our PRC subsidiaries are subject to laws and regulations relating to foreign-owned enterprises. The establishment, approvals, registered capital, taxation, foreign exchange restriction, financial accounting and labour matters of the wholly foreign-owned enterprises shall be governed by the Wholly Foreign Owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) (the “**WFOE Law**”), which was promulgated by the NPCSC on 12 April 1986 and was amended on 31 October 2000 and 3 September 2016 respectively, and its Implementation Rules (《中華人民共和國外資企業法實施細則》), which was promulgated by the State Council on 12 December 1990, amended on 12 April 2001 and 19 February 2014 respectively.

A wholly foreign-owned enterprise is a legal entity with the capacity to bear civil liabilities, to enjoy civil rights and to own, use and sell properties independently. The registered capital of a wholly foreign-owned enterprise must be contributed by foreign investors and the liability of a foreign investor is limited to the amount of the registered capital for which it agrees to subscribe.

REGULATORY OVERVIEW

Pursuant to the Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), which was promulgated by the Ministry of Commerce (中華人民共和國商務部) (the “**MOFCOM**”) on 8 October 2016 and became effective on the same date, and was amended on 30 July 2017, where establishment and changes to a foreign-invested enterprise do not fall within the scope of special administration measures for foreign investment admission as stipulated by the state, the foreign-invested enterprise shall go through recordation procedures instead of the approval procedures. Otherwise, the foreign-invested enterprise shall go through approval procedures according to relevant laws and regulations governing foreign investment.

Investment in the PRC conducted by foreign-investors and foreign-invested enterprises shall comply with the Interim Provision on the Domestic Investment of Foreign-invested Enterprise (《關於外商投資企業境內投資的暫行規定》) and the Catalogue For the Guidance of Foreign Investment Industries (Amended in 2017) (《外商投資產業指導目錄(2017年修訂)》) (the “**Catalogue**”). Pursuant to the Interim Provision on the Domestic Investment of Foreign-invested Enterprise, which was promulgated by the MOFCOM and became effective on 1 September 2000 and was amended by the Notice of the State Administration for Industry and Commerce on Implementing the Implementation Opinions on Some Issues concerning Law Application for the Administration of Examination and Approval and Registration of Foreign-invested Enterprise (《國家工商行政管理總局關於實施〈關於外商投資的公司審批登記管理法律適用若干問題的執行意見〉的通知》) on 26 May 2006 and the MOFCOM’s decision on Amending Some Rules and Regulatory Documents (《商務部關於修改部分規章和規範性文件的決定》) on 28 October 2015, the State Administration for Industry and Commerce (the “**SAIC**”) and its branch offices no longer review the qualification of foreign-invested enterprise on its domestic investment. Pursuant to the Catalogue, which jointly promulgated by the National Development and Reform Commission of the PRC and the MOFCOM on 28 June 2017 and became effective on 28 July 2017, foreign investment industries are classified into the encouraged, the restricted and the prohibited, while industries not listed therein are generally open to foreign investment unless other PRC laws required otherwise. Our subsidiaries in the PRC mainly conduct business in the customer service of online sales and product design, which does not fall into the “restricted” or “prohibited” foreign investment industries listed under the Catalogue.

Company Operations

Our subsidiaries in the PRC are mainly engaged in the customer service of online sales and product design, which are regulated by several rules and regulations including the General Principles of the Civil Laws of the PRC (《中華人民共和國民法通則》) (the “**Civil Law**”), the Tort Law of the PRC (《中華人民共和國侵權責任法》) (the “**Tort Law**”), the Contract Law of the PRC (《中華人民共和國合同法》) (the “**Contact Law**”), the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the “**Product Quality Law**”) and the Customs Law of the PRC (《中華人民共和國海關法》) (the “**Customs Law**”).

The Civil Law

Manufacturers and distributors of defective products in the PRC may incur liability for loss or injury caused by such products. Under the Civil Law which became effective on 1 January 1987 and was amended on 27 August 2009, a defective product which causes property damage or physical injury to any person could subject the manufacturer or distributors of such product to civil liability.

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The Tort Law

Pursuant to the Tort Law which was promulgated on 26 December 2009 and was implemented on 1 July 2010, the manufacturer is responsible for the quality of the products it produced. Where any harm is caused by a defective product, the injured party may require compensation to be paid by the manufacturer or the distributors of the product. If the defect of the product is caused by the manufacturer and the distributors has paid the compensation, the distributors is entitled to reimbursement by the manufacturer. If the defect of the product is caused by the distributors and the manufacturer has paid the compensation, the manufacturer is entitled to reimbursement by the distributors.

The Contract Law

Those contracts that our PRC subsidiaries entered into with our suppliers, customers or any other third parties are subject to the Contract Law, which was promulgated by the NPC on 15 March 1999 and came into force on 1 October 1999. A natural person or a legal person or other legally established organization shall have full capacity of civil right and civil conduct while entering into a contract, except other laws or regulations otherwise required, the formation, validity, performance, modification, assignment, termination, liability for breaching a contract are stipulated by the Contract Law, where a contracting party failed to perform or failed to fulfill its contractual obligation shall bear the responsibility of continuing duty of performance, taking remedies, compensation or any other liabilities provided by the PRC laws.

The Product Quality Law

Pursuant to the Product Quality Law, which was promulgated by the NPCSC on 1 September 1993 and amended in 2000 and 2009 respectively, it is prohibited to produce or sell products that do not meet the standards or requirements for safeguarding human health or that constitute unreasonable threat to the safety of human life or property. Where a defective product causes physical injury to a person or damage to his/her property, the injured party may claim compensation against the manufacturer or the distributor of such product.

The Customs Law

Pursuant to the Customs Law, which was promulgated by the NPCSC on 22 January 1987 and was last amended on 7 November 2016, accurate declarations shall be made by the consignor of exported goods, and the export licence and relevant documents shall be submitted to Customs for examination. Without an export licence, goods subject to State export restrictions shall not be released. Customs procedures for export goods shall be handled by the consignor at the Customs office at the place where the goods leave Chinese territory. If our company fail to declare accurately to Customs export goods and articles or goods in transit, trans-shipment or through goods, a fine may be imposed for violating the provisions of the Customs Law, and its illegal gains may be confiscated.

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Labour and Social Security

Labour contract

The NPCSC and the State Council formulated and promulgated a series of laws on labour contract and employment, including but not limited to:

- the Labour Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the NPCSC on 5 July 1994 and was amended on 27 August 2009;
- the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the NPCSC on 29 June 2007, came into force from 1 January 2008, and was amended on 28 December 2012; and
- the Regulation on the Implementation of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council on 18 September 2008 and came into force from the date of promulgation.

These laws and regulations are to regulate the employment relationship established between employers and employees and the entering into, execution, performance, modifications and cancellation or termination of labour contracts, improving the labour contract system, specify the rights and obligations of both parties and protecting the legitimate rights and interests of employers and employees.

Social security

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated by the NPCSC on 28 October 2010 and came into force on 1 July 2011 and the Interim Regulations on the Collection of Social Insurance Premium (《社會保險費徵繳暫行條例》) which was promulgated by the State Council on 22 January 1999 and came into force as of the date of promulgation, employers are required to contribute, on behalf of their employees, to a number of social insurances, including basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. Under the circumstance where an employer fails to pay social insurance funds in full amount or on time, it might be subject to a rectification order by competent authorities and a daily late fee at the rate of 0.05% of the outstanding amount from the due date might be imposed. In addition, if it fails to make such payment in full amount within the prescribed time limit, a fine in the amount of one to three times of the outstanding payment might be imposed.

Social insurances are also regulated by the Regulation on Work-Related Injury Insurance (《工傷保險條例》) which was promulgated by the State Council on 27 April 2003 and came into force on 1 January 2004 and was amended on 20 December 2010, the Provisional Measures on Insurance for Maternity of Employees (《企業職工生育保險試行辦法》) which was promulgated on 14 December 1994 and came into force on 1 January 1995 and the Regulations on Unemployment Insurance (《失業保險條例》) which was promulgated by the State Council and came into force on 22 January 1999.

Housing Provident Fund

Pursuant to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council on 3 April 1999 and was amended on 24 March 2002, enterprises shall register with relevant housing provident fund management center, open special housing provident fund accounts at a designated bank and pay housing provident fund contributions on time for

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their employees in full amount. In addition, for both employees and employers, the payment rate for housing provident fund shall not be less than 5% of the average monthly salary of the employees in the previous year. The payment rate may be increased if the employer desires.

If an enterprise fails to conduct its registration for housing provident fund or open special housing provident fund accounts for its employees, it will be ordered by relevant housing provident fund management center for registration and account opening within a stated time, the enterprise will be liable to a fine of RMB10,000 to RMB50,000 if it fails to conduct aforesaid process overdue. If an enterprise fails to pay or underpay housing provident fund, it will be ordered by relevant housing provident fund management center for paying those payment, and a forcible execution may be executed by a people's court if the enterprise fails to pay overdue.

Taxation

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”), which was promulgated by the NPCSC on 16 March 2007 and became effective on 1 January 2008 and was amended on 24 February 2017 and became effective on the same date, and its Implementation Rules (《中華人民共和國企業所得稅法實施條例》) (the “**EIT Rules**”), which was promulgated by the State Council on 6 December 2007 and became effective on 1 January 2008, a resident enterprise is subject to enterprise income tax for the income derived from both inside and outside the PRC. A non-resident enterprise which has organisations or establishments in the PRC is subject to enterprise income tax on its incomes derived inside the PRC as well as incomes derived from outside the PRC but with actual connection with such organisations or establishments. For a non-resident enterprise which has no organisations or establishments in the PRC, or which has an organisation or establishment in the PRC but the income it derives has no actual connection with such organisation or establishment, only its income derived in the PRC will be subject to enterprise income tax.

The enterprise income tax for both domestic and foreign-invested enterprise is set at a uniform rate of 25%. A non-resident enterprise without an organisation or establishment in the PRC or a non-resident enterprise which has an organisation or establishment in the PRC but whose incomes have no actual connection with the abovementioned organisation or establishment will only be subject to tax on its PRC-sourced income, and the income of such enterprise will be taxed at the reduced rate of 10%.

Pursuant to the EIT Law and its EIT Rules, income from equity investment between qualified resident enterprise such as dividends and bonuses, which refers to investment income derived by a resident enterprise from direct investment in another resident enterprise, is tax-exempt income.

In addition, any gain realised on the transfer of equity or shares by a foreign enterprise is also subject to enterprise income tax at a rate of 10% if such gain is regarded as income derived from sources within the PRC. On 10 December 2009, the State Administration of Taxation (the “**SAT**”) issued the Notice Concerning the Strengthening of Corporate Income Tax Administration with Respect to Equity Transfers by Non-resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “**Circular 698**”), which became effective retroactively as of 1 January 2008 and was amended on 12 December 2013 and 3 February 2015 respectively. On 3 February 2015, the SAT issued the Announcement of the SAT on Certain Issues Concerning the Corporate Income Tax on the Indirect Transfers of Properties by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業

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所得稅若干問題的公告》(the “**Announcement 7**”). Announcement 7 annulled and replaced the relevant provisions of Circular 698 regarding the indirect transfer of equity interests in a PRC resident enterprise. Pursuant to Announcement 7, if a non-PRC resident enterprise transfers its equity interests of an offshore enterprise which directly or indirectly owns PRC properties (the “**taxable properties**”) by conducting arrangement without any reasonable commercial purpose, such transfer shall be deemed as a direct transfer of taxable properties. Factors that may be taken into consideration when determining whether there is a “reasonable commercial purpose” include the value constitution of the transferred equity, offshore taxable situation of the transaction, the offshore structure’s economic essence and duration, and trading fungibility, among others.

Value-added tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which became effective on 13 December 1993 and was last amended on 6 February 2016, and its Implementation Rules (《中華人民共和國增值稅暫行條例實施細則》), which became effective on 1 January 2009 and was amended on 28 October 2011, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay Value-added tax (the “**VAT**”). The tax payable shall be the balance of output tax for the period after deducting the input tax for the period. The tax rate for small-scale taxpayers shall be 3%. A small-scale taxpayer refers to a taxpayer who produces goods or provides taxable services, or who produces goods or provides taxable services as its core business while operating wholesale or retail business as a sideline with annual taxable sales amount below RMB500,000; or a taxpayer who operates wholesale or retail business with annual taxable sales amount below RMB800,000. An individual, a non-enterprise entity, and an enterprise who seldom has taxable activities with annual taxable sales amount exceeding the minimum taxable sales amount for a small-scale taxpayer shall be deemed as a small-scale taxpayer for VAT purpose.

Dividend Tax

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the 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》), which was promulgated by the SAT became effective on 8 December 2006 and was last amended on 9 March 2016, a PRC resident enterprise which distributes dividends to its Hong Kong shareholders should pay income tax according to PRC law, however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity interests of the aforesaid enterprise, the tax levied shall be 10% of the total distributed dividends. Meanwhile, Circular of the SAT on the Interpretation and the Determination of the “Beneficial Owners” in the Tax Treaties (《國家稅務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 unfavorable to the determination of “beneficial owner”.

In addition, pursuant to the Circular of the SAT on Relevant Issues Relating to the Implementation of Dividend Clauses in Tax Treaty (《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》) (the “**Notice 81**”), which was issued by the SAT on 20 February 2009, all of the following requirements should be satisfied where a tax resident of the counterparty to the tax treaty needs to be entitled to such

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tax treatment specified in the tax treaty for the dividends paid to it by a Chinese resident company: (i) such a tax resident who obtains dividends should be a company as provided in the tax treaty; (ii) the equity interests and voting shares of the Chinese resident company directly owned by such a tax resident reach a specified percentage; (iii) the capital ratio of the Chinese resident company directly owned by such a tax resident reaches the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends.

Pursuant to the Announcement of the SAT on Promulgation of the “Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties” (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》) which became effective on 1 November 2015, non-resident taxpayers which satisfy the criteria for entitlement to tax treaty benefits may, at the time of tax declaration or withholding declaration through a withholding agent, enjoy the tax treaty benefits, and be subject to follow-up administration by the tax authorities.

Foreign Exchange

The Regulation of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Regulations**”), which was implemented on 1 April 1996 by the State Council and was last amended on 5 August 2008, are applicable to all activities related to the foreign exchange receipts and disbursements and transactions of domestic corporations and individuals and to the activities of overseas corporations and individuals within the territory of the PRC. The Foreign Exchange Regulations stipulates that all international disbursement and transfer of funds are classified under current account and capital account. Approval from the State Administration of Foreign Exchange (“SAFE”) are not required for most current account transactions, but is required for capital account transactions.

Foreign-invested enterprises established in China, through provision of certain documents (such as the Board resolution and tax registration permit), can purchase foreign exchange for dividend payment, trading or services without the approval from SAFE.

Pursuant to the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated on 20 June 1996 by the People’s bank of China and became effective on 1 July 1996, China abolished the restriction on the current account foreign exchange conversion while retaining the restrictions on capital account foreign exchange transaction.

Furthermore, under the Circular on Further Improving and Adjusting the Direct Investment Foreign Exchange Administration Policies (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the “**Circular 59**”), which was issued on 19 November 2012 by SAFE, was last amended and was effected on 4 May 2015, some SAFE approval formalities required to be submitted by banks and enterprises to the foreign exchange bureau at their location and by all sub-bureau of foreign exchange bureau to SAFE prior to promulgation of Circular 59 have been cancelled.

According to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment Foreign Exchange Administration Policies (《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》) (the “**Circular 13**”), which was issued by the SAFE and became effective from 1 June 2015, the foreign exchange registration under domestic direct

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investment and the foreign exchange registration under overseas direct investment will be directly reviewed and handled by banks in accordance with the Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

According to the Circular on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**Circular 19**”) which was issued on 30 March 2015 and was implemented from 1 June 2015 by SAFE, a foreign-invested enterprise may also choose to convert its registered capital from foreign currency to RMB on discretionary basis, but the use of such converted registered capital is subject to certain limitations. Foreign-invested enterprises which mainly engaged in investments can directly use the RMB capital derived from foreign exchange settlement for domestic equity investments. Domestic equity investments made by ordinary foreign-invested enterprises other than the aforementioned enterprises with the original currencies of the capital shall be governed by the prevailing requirements on domestic re-investment.

Furthermore, SAFE promulgated the Circular on Reforming and Regulating Capital Account Foreign Exchange Settlement Management Policy (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “**Circular 16**”) on 9 June 2016, which further revises several clauses in Circular 19. Both Circular 19 and Circular 16 regulate that foreign exchange incomes of a domestic enterprise under their capital account shall not be used in several ways.

In addition, SAFE supervises the flow and use of those RMB capital converted from foreign currency capital funds of a foreign-invested company by further focusing on *ex post facto* supervisions and violations, and the use of the net proceeds from this offering to invest in or acquire any other Chinese companies in the PRC is subject to the provisions under both Circular 19 and Circular 16.

Intellectual Property

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》), which was implemented on 1 March 1983 by the NPCSC and was last amended on 30 August 2013, and its Implementation Rules (《中華人民共和國商標法實施條例》), which was promulgated by the State Council on 29 April 2014 and became effective on 1 May 2014, registered trademarks are those that have been approved and registered by the Trademark Office, including commodity trademarks, service trademarks, collective marks and certification marks. Trademark registrants shall be entitled to the right of exclusive use of their trademarks and shall be protected by relevant PRC laws and regulations. The period of validity of a registered trademark shall be ten years from the day the registration is approved. If a registrant needs to continue to use the registered trademark after the period of validity expires, an application for renewal of registration shall be made within 12 months before the expiration. If the registrant fails to make such an application within that period, an extension period of six months may be granted. The period of validity for each renewal of registration shall be ten years after the expiry of the previous valid term.

Reorganisation and the Listing

Circular 37

Pursuant to the Circular on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《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》) (the “**Circular 37**”) which

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was promulgated by SAFE on 4 July 2014, The special purpose vehicles (the “SPVs”) refer 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 that they legally possess for the purpose of investments and financing. SAFE shall manage registration of the special purpose vehicles incorporated by domestic residents. Domestic residents shall apply to SAFE to register foreign exchange for overseas investments before contributing money to SPVs using legitimate domestic and overseas assets or rights and interests. According to Circular 37, individual domestic residents refer to Chinese citizens who have an ID card, military ID card, or armed police ID card, which are for Chinese residents, as well as foreign individuals who do not have a legitimate ID card for Chinese residents but reside in China because they have economic interests in China.

Given that our ultimate Shareholder, Mr. She, Ms. Sze and Ms. Chan are Hong Kong permanent residents but not individual domestic residents defined under the Circular 37, therefore Mr. She, Ms. Sze and Ms. Chan are not subject to the registration requirements under the Circular 37.

M&A Rules

On 8 August 2006, six PRC regulatory agencies, including the MOFCOM, the State-owned Assets Supervision and Administration Commission, the SAT, the SAIC, the China Securities Regulatory Commission (中國證券監督管理委員會) and the SAFE, promulgated the Rules on the Mergers and Acquisitions of a Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”), and further amended by the MOFCOM on 22 June 2009.

Under the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic company thereby converting it into a foreign invested enterprise, or subscribes for new equity via an increase in registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. The M&A Rules also provide that an offshore special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the China Securities Regulatory Commission prior to the listing and trading securities of such offshore special purpose vehicle on an overseas stock exchange.

Given that our Company, Satu Holdings Limited, is a Cayman Islands company but not a PRC company defined under the M&A Rules while our ultimate Shareholder, Mr. She, Ms. Sze and Ms. Chan, are permanent residents of Hong Kong but not PRC individuals defined under the M&A Rules, the Reorganisation and Listing are not subject to the M&A Rules.

REGULATIONS IN THE EU AND UK

During the Track Record Period, our homeware products were exported overseas with shipment destinations in more than 25 countries including U.K. and Denmark, both of which countries are part of the E.U. For the two years ended 31 March 2017, our aggregate revenue attributable to exports into U.K. and Denmark accounted for approximately 46.7% and 58.0% of our total revenue. Therefore, our sales to Denmark and U.K. are subject to EU, Denmark and UK regulations and legislation and those relevant to

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our business are summarised in this section. To the extent that our homeware products are covered by the EU anti-dumping duties described in more detail below, imports into Denmark and the U.K. will be subject to additional applicable duties.

EU regulations

There is extensive legislation of the EU which aims at safeguarding the health, safety and interests of consumers. The regulations and directives of the EU cover a wide range of aims, such as the promotion of consumers' rights to information and education, consumer safety, the protection of consumers' economic and legal interests, and product packaging and labelling. While a regulation is a binding legislative act directly applicable in the Member States, a directive must be implemented by the Members in accordance with their domestic legal system.

EU trade-related laws and regulations

The EU is an economic and political union of 28 European Member States. The EU has exclusive competence over the common commercial policy including all trade-related matters. Pursuant to its exclusive competence, the EU has developed a broad array of legislation in the trade sphere.

EU import duties

Custom duties

The EU is a customs union with a common (i.e. identical) external tariff applicable to all goods entering the EU Member States. No customs duties are levied on goods moving within the customs union. The Union Customs Code and its implementing legislation are directly applicable in all 28 Member States. The Customs authorities of the Member States are responsible for the application and enforcement of the EU customs law. In addition, the EU has enacted legislation to address unfair trade practices (i.e. anti-dumping and countervailing measures) pursuant to the WTO Anti-dumping and Anti-subsidy Agreements respectively. The EU, in particular, the European Commission is directly responsible for the conduct of anti-dumping and anti-subsidy investigations as well as for the adoption of any protective measures.

Tariff and Non-tariff measures

When declared to customs in the EU, goods must generally be classified according to the Combined Nomenclature (the "CN"). Imported and exported goods have to be declared stating under which subheading of the nomenclature they fall. This determines which rate of customs duty applies and how the goods are treated for statistical purposes.

The CN comprises of the international Harmonized System (the "HS") nomenclature with further community subdivisions. The HS is run by the World Customs Organisation. This systematic list of commodities forms the basis for international trade negotiations, and is applied by most trading nations. The CN also includes preliminary provisions, additional section or chapter notes and footnotes relating to CN subdivisions.

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In addition to customs duties, imports into the EU have to comply with health, safety, standard and other measures (the so-called non-tariff measures). Certain imports into the EU may also be subject to anti-dumping and anti-subsidy duties.

Copyrights and use of trademarks with respect to imports

Council Regulation (EC) No 207/2009 (as amended by Regulation (EU) 2015/2424) (the “EUTMR”) regulates the registration of EU trade marks, the use of registered EU trade marks and related matters. Article 9 of the EUTMR provides that the owner of a registered EU trade mark has exclusive rights in the trade mark, which are infringed by the use of the trade mark (or any sign confusingly similar to it) in the EU without the owner’s consent. For instance, a person infringes a registered trade mark if he uses in the course of trade a sign which is identical with the trade mark in relation to goods or services which are identical with those for which it is registered.

Goods imported into the EU must not infringe any intellectual property rights, including patents, copyrights and trademarks, which other operators may hold in the EU. Exporters should inquire into whether the goods they want to export to the EU are already subject to a patent, copyright, trademark or any other intellectual property right in any of the EU member states, and obtain, if necessary, an appropriate licence from the right-holder. To tackle counterfeiting, the EU has adopted a procedure which allows for the suspension of the entry into its territory of counterfeit and pirated goods. The EUTMR sets out the conditions under which customs authorities may intervene where goods are suspected of infringing intellectual property rights, and provides harmonised procedures by which right-holders may apply for action to be taken.

Product safety in the EU

EU legislation aims to achieve a high level of product safety for the protection of consumers across all the Member States.

General product safety, Directive 2001/95/EC (the “GPS Directive”)

The GPS Directive applies to all EU Member States and was required to be implemented into member state national law by 15 January 2004. The provisions of the GPS Directive apply to all consumer products subject to product-specific requirements that may be applicable under separate legislation. On 13 February 2013, the European Commission adopted proposals to improve product safety in the EU, which consists of, inter alia, a proposal for a Regulation on Consumer Product Safety, which would replace the existing GPS Directive. Among others, the proposals introduce a mandatory requirement on manufacturers and importers of consumer products to include information about the product’s origin on the packaging of the product. The proposals are currently going through the EU’s legislative procedure for adoption.

The objectives of the GPS Directive are to ensure that products placed on the EU market are safe for consumer use and that effective corrective action is taken when this is not the case. The GPS Directive requires that producers must only put products on the market that are safe, having regard to the product’s composition, packaging, labelling, warnings and instructions for use. The responsibility for ensuring safety of products on the EU market lies with the manufacturer of the product, or where the manufacturer is not based in the EU, its representative in the EU (if applicable) or the importer.

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*The registration, evaluation, authorisation of chemicals, Regulation (EC) No 1907/2006 (“**REACH Regulation**”)*

The REACH Regulation governs the use of specific chemical substances in consumer products. Chemical substances that are identified by Member States as having serious effects on human health or the environment are included in a candidate list of Substances of Very High Concern for Authorisation (the “**Candidate List**”) published on the European Chemicals Authority’s website. If a chemical substance is listed in the Candidate List, it may become subject to authorisation and manufacturers, importers and retailers will need to apply for an authorisation to place on the market or use the substance in the EU.

Food contact materials

General requirements for all materials that are intended to come into contact directly or indirectly with food are laid down in Regulation (EC) 1935/2004. Specific EU regulations have also been established for food contact materials containing ceramics, regenerated cellulose film, plastics, recycled plastics and active and intelligent materials. In addition, there are Directives that regulate particular substances and groups of substances used in the manufacture of food contact materials.

Consumer protection in the EU

Articles 12 and 114 of the Lisbon Treaty lay down the overarching provisions for promoting the interests, health and safety of consumers in the EU. With a view to meeting such objectives, further legislation has been adopted to protect the economic and legal interests and health of consumers, and ensure the safety and free movement of products within the EU.

Directive 1999/44/EC, which was required to be implemented in the Member States by 1 January 2002, applies to the sale of goods to consumers within the EU. The Directive 1999/44/EC guarantees consumers a minimum level of protection with respect to remedies in the event of non-conformity of a product with the sale contract at the time of delivery. Directive 93/13/EEC contains provisions to protect consumers from unfair terms in contracts with sellers or suppliers.

The Consumer Rights Directive 2011/83/EU was required to be implemented by member states by 13 December 2013 and applies to contracts concluded after 13 June 2014. It amends Directives 93/13/EEC and Directive 1999/44/EC and repeals previous legislation relating to distance selling. The Consumer Rights Directive relates to contracts between traders and consumers on the sale of goods, services and online digital content including giving consumers cancellation rights for distance and off-premises contracts. Directive 2005/29/EC prohibits unfair business-to-consumer commercial practices in the EU, in particular misleading and aggressive commercial practices such as the provision of false or untrue information to consumers. Directive 85/374/EEC states that producers of consumer products shall be liable to consumers for damage caused by defects in their products. Directive 85/374/EEC defines damages as death, personal injury or damage to any item of property (other than the defective property itself), and the parties that may be liable under the Directive include the manufacturer of the finished product or any components; any person who presents himself as the producer (such as by placing his name or trademark on the product); and any person who imports the product into the EU for sale or distribution.

Anti-dumping in the EU

Pursuant to the Regulation (EU) 2016/1036 of 8 June 2016 (“**Basic Anti-dumping Regulation**”), the European Commission is responsible for investigating allegations of dumping within the EU. It usually conducts an investigation upon receipt of a complaint from producers of the product within the EU. To impose anti-dumping measures, the European Commission has to fulfil the following criteria: (i) the existence of dumping by the exporting producers in the country/countries concerned; (ii) the existence of injury to the EU industry of the product concerned; (iii) a causal link between the dumping and injury found; and (iv) that the imposition of measures is in the interest of the EU as a whole.

Duties imposed by these measures are usually ad valorem duties payable by the importer in the respective EU importing countries. In certain instances, the European Commission may accept an “undertaking” by which the exporter agrees to increase its export prices of the products concerned.

With respect to our Group’s products delivered into the EU, anti-dumping duties are only applicable to tableware and kitchenware, and any such duties are paid by the buyers at the time the goods are imported to the buyers’ countries. As a result, anti-dumping duties has no impact on our product sales in the EU.

Under EU and Member State competition/antitrust laws, there are also rules that prohibit companies with a dominant market position from pricing below cost in certain circumstances.

Anti-subsidy in the EU

Pursuant to Regulation (EU) 2016/1037 of 8 June 2016, the European Commission may investigate complaints lodged by the EU industry, alleging that products imported from third countries are subsidised and that injury is caused to the EU industry. The European Commission may impose countervailing measures to offset the injury caused to the domestic industry only if a subsidy is “specific” to certain enterprises.

Countervailing measures may be imposed if the investigation conducted by the European Commission shows that: (i) the imports benefit from a countervailable subsidy, (ii) EU industry suffers an injury, (iii) there is a causal link between the subsidised imports and the injury and (iv) the imposition of countervailing duties is in interest of EU.

Like anti-dumping duties imposed by these countervailing measures are usually ad valorem duties expressed as a percentage of the price of the goods.

EU Anti-dumping duties against imports of Chinese kitchenware

On 13 May 2013, the EU imposed definitive anti-dumping duties on imports of certain ceramic tableware and kitchenware products originating in the People’s Republic of China¹. The duties range from 13.1% for certain cooperating companies to 36.1% for non-cooperating companies.

¹ Council Implementing Regulation (EU) No. 412/2013 of 13 May 2013, as amended by Commission Implementing Regulation (EU) No. 803/2014 of 24 July 2014.

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The duties covered imports of porcelain and ceramic tableware, kitchenware and other household articles, excluding ceramic knives, ceramic condiment or spice mills and their ceramic grinding elements, ceramic peelers, ceramic knife sharpeners and cordierite ceramic pizza-stones of a kind used for baking pizza or bread.² The measures, unless extended, are due to expire on 16 May 2018.

Laws and regulations of England and Wales

The UK is expected to leave the EU on 29 March 2019. From that date (although subject to the outcome of any negotiations between the UK and the remaining EU Member States, and any transitional rules), it is no longer expected to be part of the EU single market or customs union. This could lead to significant changes to the UK's customs duty regime, which could also impact the import of goods from outside the EU.

Copyright and trade marks

Copyright exists automatically on creation of a “copyright work” (defined in section 1 of the Copyright, Designs and Patents Act 1988 (“CDPA”) and is not required to be registered in order to subsist in the UK.

The Trade Marks Act 1994 (“TMA”) regulates the registration of UK trade marks, the use of registered UK trade marks and related matters. Section 9 of the TMA provides that the owner of a registered UK trade mark has exclusive rights in the trade mark which are infringed by the use of the trade mark (or any sign confusingly similar to it) in the UK without the owner's consent. For instance, a person infringes a registered trade mark if he uses in the course of trade a sign which is identical with the trade mark in relation to goods or services which it is registered (Section 10(1) TMA). The TMA provides that a registered trade mark owner is, in an action for infringement, entitled to relief including by way of damages, injunctions and accounts.

Unregistered trade marks may still obtain protection in the UK through the common law action of passing off.

For as long as the UK remains a Member State of the EU, trade marks registered as EU trade marks (“EUTMs”) automatically receive protection in the UK (though this is unlikely to be the case once the UK leaves the EU, as it is expected to do on 29 March 2019, albeit that existing EUTMs registered before that date may be ‘converted’ into UK registered trade marks by some means, yet to be decided).

² The duties cover imports falling under the following 2013 CN codes:

- 1) 6911 10 00 90: Tableware, kitchenware, other household articles and toilet articles, of porcelain or china: —tableware and kitchenware: — other.
- 2) 6912 00 10 11: Ceramic tableware, kitchenware, other household articles and toilet articles, other than of porcelain or china: — Of common pottery: — Hand-made: — Tableware and kitchenware, excluding knives (currently classified under 6912002111).
- 3) 6912 00 10 91: Ceramic tableware, kitchenware, other household articles and toilet articles, other than of porcelain or china: — Of common pottery: — Other: — Tableware and kitchenware, excluding knives (currently classified under 6912002191).
- 4) 6912 00 30 10: Ceramic tableware, kitchenware, other household articles and toilet articles, other than of porcelain or china: — Stoneware: — Tableware and kitchenware, excluding knives (currently classified under 6912002310).
- 5) 6912 00 50 10: Ceramic tableware, kitchenware, other household articles and toilet articles, other than of porcelain or china: — Earthenware or fine pottery: — Tableware and kitchenware, excluding knives (currently classified under 6912002510).
- 6) 6912 00 90 10: Ceramic tableware, kitchenware, other household articles and toilet articles, other than of porcelain or china: — Other: — Tableware and kitchenware, excluding knives (currently classified under 6912002910).

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Goods imported into the UK must not infringe any intellectual property rights, including patents, copyrights and trade marks, which other operators may hold in the UK. Exporters should inquire into whether the goods they want to export to the UK are already subject to a patent, copyright, trade mark or any other intellectual property right in any of the EU member states, and obtain, if necessary, an appropriate licence from the right-holder.

Council Regulation 608/2013 (which sets out the conditions under which customs authorities may intervene where goods are suspected of infringing intellectual property rights, and provides harmonised procedures by which right-holders may apply for action to be taken) has direct applicability in the UK.

Note that within and between the EU member states, the so-called doctrine of exhaustion (provided for in the UK by section 12 TMA) prevents barriers to trade by providing that a registered trade mark is not infringed by use of that trade mark in relation to goods which have been put on the market in any contracting member state of the European Economic Area under that trade mark by the proprietor or with its consent, unless there are legitimate reasons for opposing further trade in the goods.

Laws and regulations relating to imports

The enforcement of customs procedures in the UK is the responsibility of HM Revenue & Customs and the extent and scope of their powers are contained in the UK legislation including The Customs and Excise Management Act 1979 (“CEMA”) and various EU regulations having direct applicability in the UK, including Regulation 952/2013/EU (the Union Customs Code). CEMA serves to consolidate the UK customs law and, inter alia, considers duty chargeable on imported goods.

CEMA and the other applicable laws therefore consider the customs value of imported goods and provide that the value for customs purposes is generally the price payable or paid by the buyer of the goods imported into the UK. The point at which duty is payable on the goods varies depending on when entry or declaration is deemed to have been made, the nature of the goods, fixed regulations, the method of import and purpose.

The general rule is that goods cannot be delivered or removed on importation until the appropriate duty has been paid; however, there are exceptions such as if the goods are only temporarily imported into the UK with a view to exporting the goods to another country. If however this general rule is contravened, and there are no relevant exceptions, certain penalties will apply. The penalties imposed for such contravention include forfeiture, seizure, detention and condemnation of the goods.

A penalty may be imposed where a person engages in any conduct for the purpose of evading any relevant tax or duty on imports or engages in any conduct by which he contravenes a duty, obligation, requirement or condition imposed by or under legislation relating to any relevant tax or duty.

Value added tax (“VAT”) also applies on the importation of goods into the UK from outside the EU (see below). Sections 15 and 16 of the Value Added Tax Act 1994 provide that enactments relating to customs duties apply generally (but with appropriate modifications) in relation to VAT chargeable on the importation of goods as they apply to customs duties.

REGULATORY OVERVIEW

Laws and regulations relating to product quality and safety and consumer protection

Much of the laws of the UK on product quality originates from and/or implements EU law, reflecting the requirements for product safety and consumer protection across Member States. Manufacturers and distributors are obliged to ensure that products supplied for sale are safe and bear the appropriate safety warnings depending on the nature of product in question. The General Product Safety Regulations 2005 set out the extent of these obligations (by reference to the European Union standards from time to time, as summarised in a European Commission notice referred to as the “**Blue Guide**”) and the actions that producers must take in monitoring products and recalling unsafe products that have been released for sale. Failure to comply with certain obligations within such regulations can lead to fines and imprisonment. The UK has also implemented product-specific EU legislation including the Electrical Equipment (Safety) Regulations 2016 (which implements the Low Voltage Equipment Directive).

Individual customers, known as consumers, benefit from much greater protection than business customers. The Consumer Rights Act 2015, which replaced and consolidated certain previous consumer protection legislation, requires goods sold to consumers to be of satisfactory quality, to be fit for their intended purpose, to match the description made available and to match any sample or model displayed prior to sale. It also imposes overarching requirements of fairness and transparency.

The Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 include additional obligations on providing consumers with information about product quality and other details prior to sale, particularly in the case of online and telephone sales (distance sales) and give consumers cancellation rights in the case of distance sales (subject to exceptions).

If a product is defective and causes damage or loss of some kind, as well as any contractual claims they may have, a customer may bring a common law claim in negligence. Additionally the Consumer Protection Act 1987 creates “strict liability” offences, meaning that claimants do not need to prove that the producer was negligent. Additionally, producers cannot exclude their liability under the Act. This legislation explains what might constitute a “defect”, explains which parties in the supply chain might be liable and provides for compensation to be paid for any death or personal injury caused by defective goods and also any loss of or damage to property.

All products placed on the market in the UK must comply with the information requirements which are set out in The Consumer Protection from Unfair Trading Regulations 2008 (as amended). These regulations prohibit certain types of unfair commercial practices (such as misleading and aggressive sales practices) and provides that traders must not mislead consumers by providing false information or omitting to provide certain information. There are also additional specific regulations relating to pricing information that must be provided to consumers, for example, the Price Marking Order 2004 (SI 2004/102).

SANCTIONS LAWS AND REGULATIONS

The Sanctions Law Advisers have provided the following summary of the sanctions regimes imposed by their respective jurisdictions. This summary does not intend to set out the laws and regulations relating to the U.S., the U.N., the E.U. and Australian sanctions in their entirety.

REGULATORY OVERVIEW

U.S.

Treasury regulations

The OFAC administers economic and trade sanctions against certain countries, entities and individuals. These sanctions are enforceable against all U.S. persons. The regulations typically define a U.S. person as “any U.S. citizen, permanent resident alien, entity organised under the laws of the U.S. or any jurisdiction within the U.S. (including foreign branches), or any person in the U.S.”.

The OFAC’s sanctions programmes can be either comprehensive in the case of the following countries, Cuba, Iran, North Korea, Sudan and Syria, or selective in the case of the following countries, Balkans, Belarus, Central African Republic, Democratic Republic of the Congo, Iraq, Lebanon, Liberia, Libya, Somalia, South Sudan, Ukraine/Russia, Venezuela, Yemen and Zimbabwe. The OFAC also prohibits virtually all business dealings with persons and entities listed on the agency’s Specially Designated Nationals and Blocked Persons List (the “**SDN List**”). Entities that a person on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more) are also blocked, regardless of whether that entity is separately named on the SDN List. Additionally, most sanctions programmes prohibit U.S. persons from facilitating transactions with sanctioned countries. “Facilitate” is defined broadly to include all instances where a U.S. person “assists” or “supports” a non-U.S. person in transactions, directly or indirectly, involving sanctioned countries or parties.

Sanctions related to Russia

The U.S. sanctions on Russia focuses on the financial services, energy and defence industries. The sanctions contain a variety of targeted prohibitions that have increasingly expanded the scope of the sanctions programme to include:

- (a) designating or blocking certain Russian individuals and entities, and an important change in the OFAC policy on entities owned by blocked persons;
- (b) limiting the availability of debt financing for certain Russian financial institutions;
- (c) prohibiting the provision of goods, services and technology in support of certain activities relating to the exploration or production of oil or gas in Russia, its claimed maritime area or “extending from its territory”;
- (d) restrictions on the supply of certain items (i) to the Russian military or other military end-users in Russia; and (ii) for use in oil or gas exploration or production in Russia, including Arctic offshore locations or shale formations; and
- (e) restrictive licensing policies for export activities involving Russian-made defence articles (including spacecraft) and defence articles intended for end-use in Russia.

The sanctions include both economic measures administered by the OFAC and export controls administered by the U.S. Department of Commerce, Bureau of Industry and Security (the “**BIS**”), and the U.S. Department of State, Directorate of Defense Trade Controls (the “**DDTC**”).

The current status of these controls is addressed in more detail below:

The OFAC Sanctions — On 16 July 2014 and 12 September 2014, the OFAC issued a series of “Directives” imposing targeted sanctions upon key elements of the Russian economy. Each Directive governs activities between U.S. persons (to include any person within the U.S.) and those

REGULATORY OVERVIEW

persons listed on the Sectoral Sanctions Identifications List (the “**SSI List**”). The SSI List is organised according to the four Directives. Unlike the SDN List, which includes blocked persons and prohibits substantially all activities with so-called SDNs, the SSI List designations result in prohibitions that are limited to those activities targeted by the Directives. The OFAC also revised its policy on entities that are owned by the SSI List persons to extend the designations to entities owned 50% or more by one or more persons on the SSI List.

The four Directives are as follows:

Directive 1 targets the financial services sector of the Russian economy. This Directive prohibits engaging in transactions in, providing financing for, or otherwise dealing in new debt with a maturity of longer than 30 days, or equity for persons operating in Russia’s financial sector named under Directive 1.

Directive 2 targets Russia’s energy sector of the Russian economy by prohibiting transactions in, provision of financing for, and other dealings in new debt with a maturity of longer than 90 days for persons operating in Russia’s energy sector named under Directive 2.

Directive 3 targets the Russian defense and related material sector by prohibiting all transactions in, provision of financing for, and other dealings in new debt of longer than 30 days for persons identified on the SSI List under Directive 3.

Directive 4 expands on the sanctions targeting the Russian energy sector by prohibiting “the provision, exportation, or re-exportation, directly or indirectly, of goods, services (except for financial services), or technology in support of exploration or production for deep water, Arctic offshore or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area claimed by the Russian Federation and extending from its territory” that involve any person identified on the SSI List under Directive 4.

Commercial and Dual-Use Controls (the Export Administration Regulations) — On 6 August 2014, the BIS amended the Export Administration Regulations (the “**EAR**”) to include the “Russian Industry Sector Sanctions”. These sanctions impose a licence requirement for the export to Russia of certain items if the exporter, re-exporter or transferor knows that the item “will be used directly or indirectly in exploration for, or production of, oil or gas in Russian deep water (greater than 500 feet) or Arctic offshore locations or shale formations in Russia, or are unable to determine whether the item will be used in such projects”. The BIS also established a policy of denial for such licence applications. The BIS further imposed a licence requirement (subject to a policy of denial) for all exports, re-exports or transfers to Russia of items subject to the EAR if intended, in whole or in part, for a military end-user or military end-user in Russia.

Military/Defense Controls (the International Traffic in Arms Regulations) — On 27 March 2014, the DDTC placed a hold on the issuance of International Traffic in Arms Regulations licences for the export of defense articles and defense services to Russia. Subsequently, on 28 April 2014, the DDTC changed its hold on licences to a policy of denial for defense articles or defense services to Russia or occupied Crimea. The DDTC also began the process of revoking existing licences for defense articles and services. The DDTC is currently reviewing defense article export licences on a case-by-case basis to determine the export’s contribution to Russia’s military.

REGULATORY OVERVIEW

Furthermore, the U.S. did not impose any country-specific sanctions against Tunisia during the Track Record Period.

U.N.

The U.N. Security Council (the “UNSC”) can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UN Security Council has established 26 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.

There are 13 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are nine monitoring groups, teams and panels that support the work of the sanctions committees.

U.N. sanctions are imposed by the United Nations Security Council (the “UNSC”), usually acting under Chapter VII of the U.N. Charter (the “U.N. Sanctions”). Decisions of the UNSC bind members of the U.N. and override other obligations of U.N. member states.

The U.N. did not impose any country-specific sanctions against Russia and Tunisia during the Track Record Period.

E.U.

Under E.U. sanction measures, there is no “blanket” ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to E.U. sanctions where that counterparty is not a Sanctioned Person or not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures.

The E.U. sanctions targeting Russia in place during the Track Record Period gave effect to the implementation of asset freezing provisions (i.e. “blocking” measures) which target those individuals and entities allegedly responsible for misappropriation of Ukrainian State funds and human rights violations in Ukraine, and against those individuals allegedly responsible for actions which undermine or threaten the territorial integrity, sovereignty and independence of Ukraine. There are also a range of trade and investment restrictions with regards to the import and export of goods, technology and services (including aircraft) to, from or for use in Crimea and Sevastopol; and prohibition against (i) the sale, supply, export or transfer of dual-use goods and technology to certain Russian persons; (ii) the purchase, sale, provision of investment services for or assistance in the issuance of, or otherwise dealing with

REGULATORY OVERVIEW

transferable securities and money market instruments issued after 12 September 2014 by certain Russian entities; and (iii) making or being part of any arrangement to make new loans or credit with a maturity exceeding 30 days to certain Russian entities.

The existing framework for EU sanctions targeting Tunisia imposes asset-freezing measures on 48 individuals linked to the Ben Ali government. The asset-freezing measures prohibit the making available of funds or economic resources to the listed persons.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to U.N. sanctions.

Current Australian law sanctions against Russia include restrictions (without a sanctions permit) on (i) the supply, sale or transfer of arms or related materiel to Russia, for use in Russia, or for the benefit of Russia; (ii) the importation, purchase or transport of arms or related materiel from or originating in Russia; (iii) the access of Russian state-owned banks to Australian capital markets; (iv) the provision to Russia, or to a person for use in Russia, of technical advice, assistance or training, financial assistance, a financial service or other service, if it assists with or is provided in relation to a military activity or the manufacture, maintenance or use of arms or related materiel; (v) the export or provision of goods and services for use in deep water, arctic, or shale oil exploration or production projects in Russia; and (vi) on Australian trade and investment in Crimea and Sevastopol relating to infrastructure, transport, telecommunications, energy, oil, gas and minerals sectors.

Australia has not imposed any targeted sanctions (autonomous or otherwise) in relation to Tunisia.

HISTORY, DEVELOPMENT AND REORGANISATION

HISTORY OF OUR GROUP

Business History

The history of our Group can be traced back to December 2000, when Mr. She and Ms. Chan, both are our founders and executive Directors, incorporated our first operating subsidiary, B&C Industries HK, with their personal funds. Both Mr. She and Ms. Chan have over 15 years of experience in the homeware products industry. Prior to establishing our first operating subsidiary, Mr. She set up B & C Enterprises Limited with his business partner, an Independent Third Party, in October 1996, and served as one of the directors until its dissolution by way of deregistration in June 2002. The background information and relevant industry experience of both Mr. She and Ms. Chan are set out in the section headed “Directors and senior management — Executive Directors” in this prospectus.

In 2000, with the insight and experience in the homeware products industry, Mr. She and Ms. Chan set up B&C Industries HK, our first operating subsidiary, which initially focused on the sales of gifts and home accessories and targeted overseas customers who tend to place more emphasis on the styling and contemporariness of products.

In 2002, we broadened our product portfolio by launching homeware products. In order to expand our customer base, we have been participating in a trade fair in Frankfurt since 2005, which brought new business opportunities with potential customers. From 2006 onwards, we commenced long-standing relationships with various international brand owners and licensee, chain supermarkets and renowned department stores.

In 2013, we established our own showroom in Shenzhen, the PRC. In addition to participating in international trade fairs and exhibitions, we display our new designs and newly launched products in our showroom to obtain new orders from existing and potential customers.

Since our inception, our Group has substantial growth in both business scope and scale throughout the years. Our Directors believe that our success is attributable to our well-established business relationships with our customers, our dedicated management team and our experienced product design and development team, with their knowledge of the market and products as well as the ability to identify market trends.

Business Milestones

The following table sets forth the key milestones in our Group:

Time	Milestone
2000	Incorporated B&C Industries HK
2002	Enlarged our product portfolio by launching homeware products
2005	Our first time to participate in a trade fair in Frankfurt, which brought new business opportunities with potential customers

HISTORY, DEVELOPMENT AND REORGANISATION

Time	Milestone
2006	Commenced business relationship with Customer D, a chain supermarket with headquarters in France, which is listed on the Euronext Stock Exchange
2010	Commenced business relationship with Customer E, a department store with headquarters in London, which is listed on the London Stock Exchange and is a constituent of the FTSE 100 index
2010	Commenced business relationship with Kahler Design A/S, a branded ceramic products retailer based in Denmark
2013	Established our showroom in Shenzhen, the PRC
2015	Commenced business relationship with Food Company HK Procurement Pty Limited (formerly known as Woolworths (H.K.) Sales Limited), an indirect wholly owned subsidiary of Customer F, one of the largest's supermarket chains in Australia, which is listed on the Australian Securities Exchange Limited
2016	Started to sell through third-party e-commerce platform our own "SATU BROWN" branded products

CORPORATE HISTORY

The following is a brief corporate history of the establishment and major changes in the shareholdings of each of our Company's subsidiaries.

B&C Industries BVI

B&C Industries BVI was incorporated in the BVI on 7 April 2017 with limited liability. As at the date of its incorporation, B&C Industries BVI was authorised to issue up to a maximum of 50,000 ordinary shares of US\$1.00 each.

On the date of its incorporation, one share of US\$1.00 each was allotted and issued to our Company and such share was fully paid. B&C Industries BVI became a direct wholly-owned subsidiary of our Company. The principal business of B&C Industries BVI is investment holding.

B&C Industries HK

B&C Industries HK was incorporated in Hong Kong on 11 December 2000 with limited liability, with an authorised share capital of HK\$10,000 divided into 10,000 shares. On 18 December 2000, 8,500 shares and 1,500 shares were allotted and issued to Mr. She and Ms. Chan respectively. On 24 January 2003, 1,000 shares in B&C Industries HK were transferred from Mr. She to Mr. Alex She at a cash consideration of HK\$1,000 with reference to its paid up capital. On 21 March 2007, Mr. Alex She transferred such 1,000 shares in B&C Industries HK to Ms. Sze, Mr.

HISTORY, DEVELOPMENT AND REORGANISATION

Alex She's mother, by way of gift at a nominal cash consideration of HK\$1,000 with reference to its paid up capital. Immediately prior to the Reorganisation, B&C Industries HK was held as to 75%, 15% and 10% by Mr. She, Ms. Chan and Ms. Sze respectively.

The principal business of B&C Industries HK is design, development and supply of an extensive assortment of homeware products with artistic design and practical functionality.

Satu Brown HK

Satu Brown HK was incorporated in Hong Kong on 1 November 2013 with limited liability, with an authorised share capital of HK\$10,000 divided into 10,000 shares. On the date of its incorporation, 9,500 shares and 500 shares were allotted and issued to Mr. She and Ms. Chan respectively. Immediately prior to the Reorganisation, Satu Brown HK was held as to 95% and 5% by Mr. She and Ms. Chan respectively.

The principal business of Satu Brown HK is design, development, marketing and sales of our own "SATU BROWN" branded products. Our products marketed under our brand "SATU BROWN" are mainly home decorations which are principally designed and developed by us and being sold through third-party e-commerce platform.

South Technology HK

South Technology HK was incorporated in Hong Kong on 15 July 2013 with limited liability, with an authorised share capital of HK\$10,000 divided into 10,000 shares. On the date of its incorporation, 65 shares and an aggregate of 35 shares were allotted and issued to Mr. She and two individuals (the "Former STHK Shareholders") respectively. Immediately prior to the Reorganisation, South Technology HK was held as to 65% and an aggregate of 35% by Mr. She and the Former STHK Shareholders respectively.

On 31 March 2017, Mr. She and the Former STHK Shareholders entered into a sales and purchase agreement, pursuant to which the Former STHK Shareholders have agreed to sell, and Mr. She has agreed to purchase, an aggregate of 35 shares held by the Former STHK Shareholders in South Technology HK, at a consideration of HK\$35 in aggregate with reference to its paid up capital. Immediately upon completion of the aforesaid shares transfers, Mr. She held 100 ordinary shares in South Technology HK, representing its entire issued share capital.

The principal business of South Technology HK is e-commerce marketing and sales of our own "SATU BROWN" branded products.

Satu Brown Shenzhen

Satu Brown Shenzhen was established in the PRC on 30 April 2014 as a wholly foreign-owned enterprise with a registered capital of RMB500,000. The registered capital of Satu Brown Shenzhen was fully paid up as at 17 May 2016.

On 17 April 2014, Satu Brown Shenzhen obtained its business licence and the initial term of business operation of Satu Brown Shenzhen is from 30 April 2014 to 30 April 2034. As from the date of its establishment, Satu Brown Shenzhen is wholly-owned by Satu Brown HK.

HISTORY, DEVELOPMENT AND REORGANISATION

The principal business of Satu Brown Shenzhen is design and development of our own homeware products.

South Technology Shenzhen

South Technology Shenzhen was established in the PRC on 9 December 2013 as a wholly foreign-owned enterprise with a registered capital of RMB350,000. The registered capital of South Technology Shenzhen was fully paid up as at 2 April 2014.

On 18 November 2013, South Technology Shenzhen obtained its business licence and the initial term of business operation of South Technology Shenzhen is from 9 December 2013 to 9 December 2033. As from the date of its establishment, South Technology Shenzhen is wholly-owned by South Technology HK.

The principal business of South Technology Shenzhen is marketing and sales of our homeware products through third-party e-commerce platform.

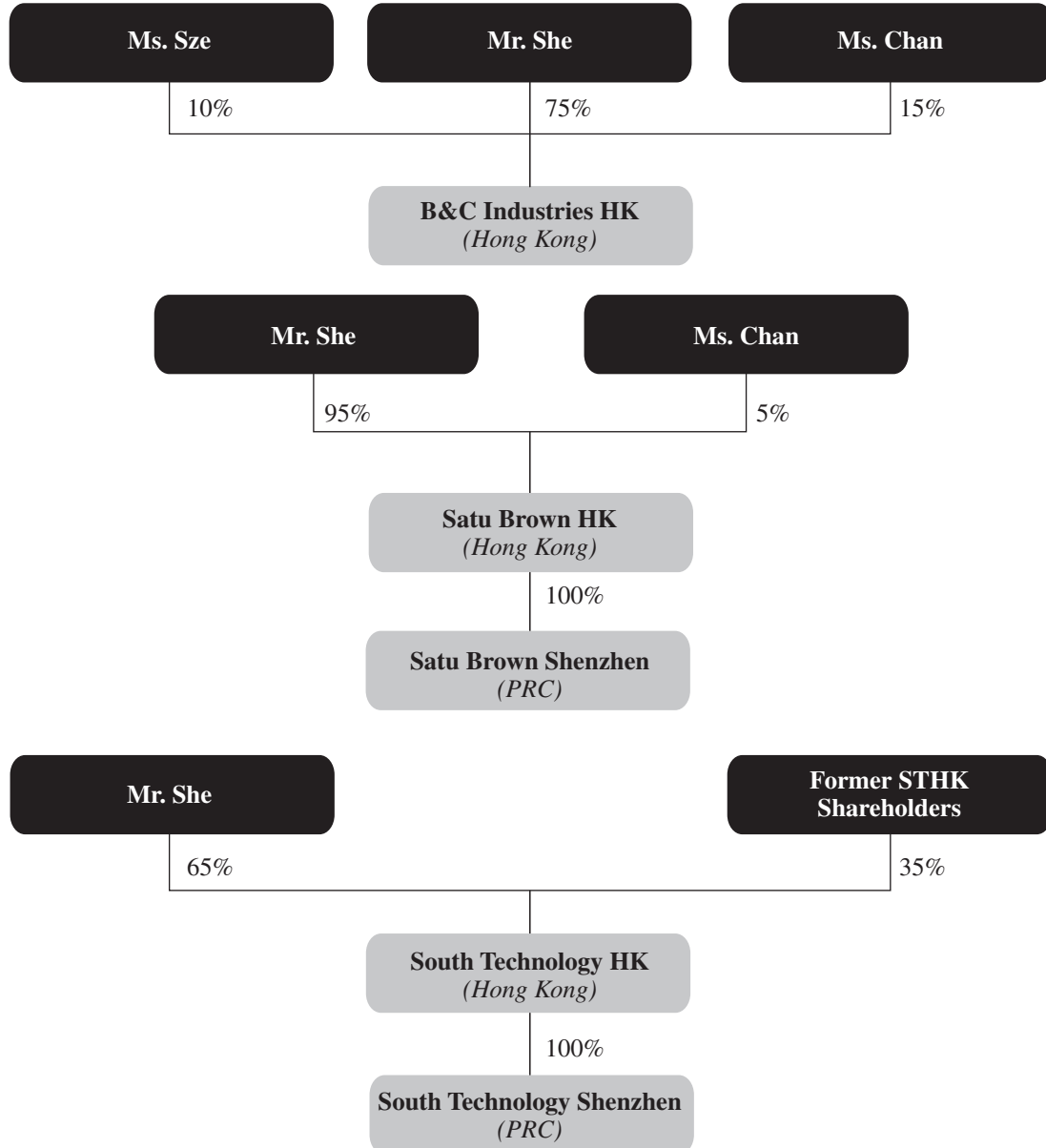
HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

To streamline and rationalise the corporate structure and business activities, our Company was incorporated on 27 March 2017 to facilitate the restructuring exercise for the Listing, which involved the following steps:

Corporate structure prior to the Reorganisation

The following charts set out the corporate structure of our Group immediately prior to the Reorganisation:



HISTORY, DEVELOPMENT AND REORGANISATION

(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 27 March 2017 to be the ultimate holding company of our Group. The initial authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each.

On the date of its incorporation, one nil paid Share was allotted and issued to Sharon Pierson, an Independent Third Party, as the initial subscriber and such nil paid Share was subsequently transferred to Hearthfire on the same day. In addition, on the date of its incorporation, the Company allotted and issued to each of Top Clay and Present Moment one nil paid Share.

Upon completion of the above transfer and allotment and issue, Hearthfire, Top Clay and Present Moment became our Shareholders. The transfer has been legally and properly completed and settled.

(2) Transfer of shares in South Technology HK

Prior to the below mentioned share transfers, Mr. She and the Former STHK Shareholders held 65 shares and an aggregate of 35 shares in South Technology HK respectively, representing 65% and an aggregate of 35% of the issued share capital of South Technology HK respectively.

On 31 March 2017, Mr. She and the Former STHK Shareholders entered into a sale and purchase agreement, pursuant to which the Former STHK Shareholders have agreed to sell, and Mr. She has agreed to purchase, an aggregate of 35 shares held by the Former STHK Shareholders in South Technology HK, at a consideration of HK\$35 in aggregate with reference to the paid up capital of South Technology HK.

Upon completion of the above transfer, South Technology HK became wholly-owned by Mr. She. The transfer has been legally and properly completed and settled.

(3) Incorporation of B&C Industries BVI

B&C Industries BVI was incorporated in the BVI on 7 April 2017 to be the intermediate holding company of our Group.

Upon its incorporation, B&C Industries BVI was authorised to issue up to a maximum of 50,000 ordinary shares of US\$1.00 each. On the date of its incorporation, B&C Industries BVI allotted and issued one share of US\$1.00 to our Company and such share was fully paid.

Upon completion of the above allotment, B&C Industries BVI became wholly-owned by our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

(4) *Acquisition of B&C Industries HK, Satu Brown HK and South Technology HK by our Company*

On 21 September 2017, Mr. She, Ms. Sze, Ms. Chan, Hearthfire, Top Clay, Present Moment, our Company and B&C Industries BVI entered into a share swap agreement pursuant to which, Mr. She, Ms. Sze and Ms. Chan have agreed to sell, and B&C Industries BVI has agreed to purchase, the 7,500, 1,000 and 1,500 shares held by Mr. She, Ms. Sze and Ms. Chan in B&C Industries HK respectively, representing its entire issued share capital, in consideration of (i) the crediting as fully paid at par the three nil paid Shares registered in the name of each of Hearthfire, Top Clay and Present Moment; and (ii) the allotment and issue of 19,949,999, 2,659,999 and 3,989,999 Shares by our Company, all of which were credited as fully paid and rank *pari passu* in all respects with the prior issued Shares, to Hearthfire, Top Clay and Present Moment respectively.

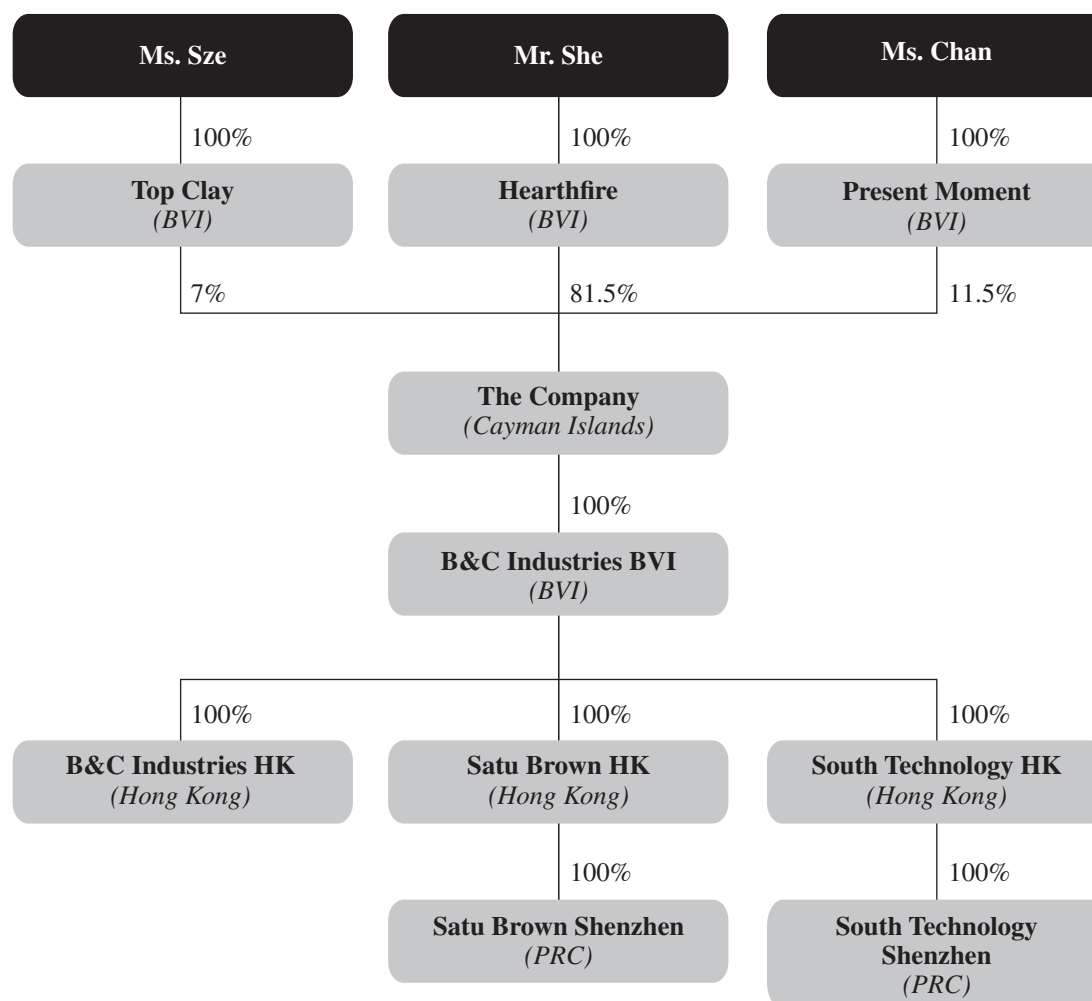
On 21 September 2017, Mr. She, Ms. Chan, Hearthfire, Present Moment, our Company and B&C Industries BVI entered into a share swap agreement pursuant to which, Mr. She and Ms. Chan have agreed to sell, and B&C Industries BVI has agreed to purchase, the 9,500 and 500 shares held by Mr. She and Ms. Chan in Satu Brown HK respectively, representing its entire issued share capital, in consideration of the allotment and issue of 7,220,000 and 380,000 Shares by our Company, all of which were credited as fully paid and rank *pari passu* in all respects with the prior issued Shares, to Hearthfire and Present Moment respectively.

On 21 September 2017, Mr. She, Hearthfire, our Company and B&C Industries BVI entered into a share swap agreement pursuant to which, Mr. She has agreed to sell, and B&C Industries BVI has agreed to purchase, the 100 shares held by Mr. She in South Technology HK, representing its entire issued share capital, in consideration of the allotment and issue of 3,800,000 Shares by our Company, all of which were credited as fully paid and rank *pari passu* in all respects with the prior issued Shares, to Hearthfire.

Upon completion of the above transfers, our Company held the entire issued share capital of each of B&C Industries HK, Satu Brown HK and South Technology HK through B&C Industries BVI. All of the above transfers have been legally and properly completed and settled.

HISTORY, DEVELOPMENT AND REORGANISATION

The following diagram illustrates our corporate and shareholding structure following the completion of the Reorganisation and immediately prior to the Share Offer and the Capitalisation Issue:

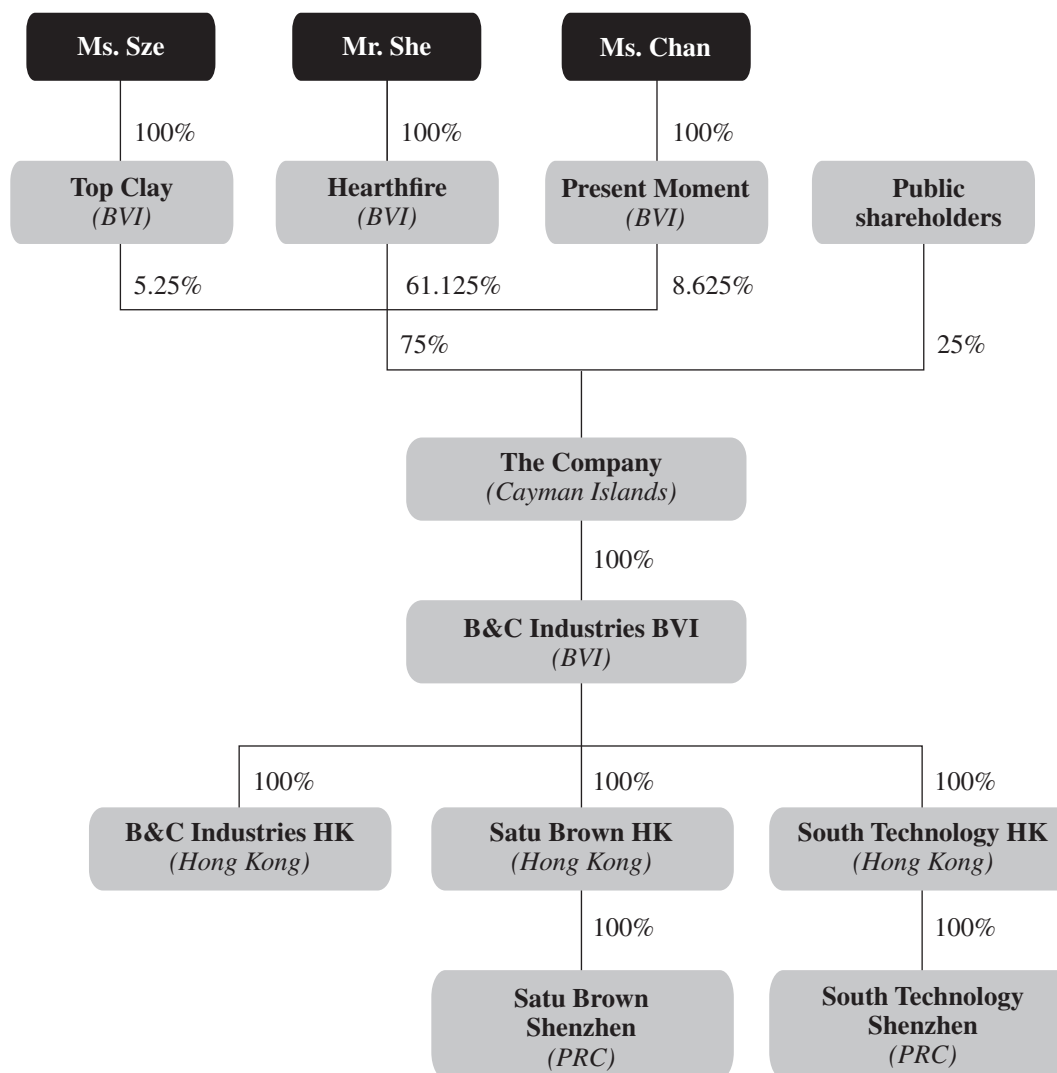


CAPITALISATION ISSUE

Conditional upon the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$7,120,000 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 712,000,000 Shares for allotment and issue to Hearthfire, Top Clay and Present Moment, in proportion to their then respective percentage of shareholding in our Company prior to the Share Offer, and such Shares shall rank *pari passu* in all respects with the then prior issued Shares.

HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets forth our corporate and shareholding structure immediately after the completion of the Share Offer and the Capitalisation Issue:



M&A RULES

On 8 August 2006, six PRC regulatory agencies promulgated the M&A Rules, a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors which became effective on 8 September 2006 and was amended on 22 June 2009.

Under the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic company thereby converting it into a foreign invested enterprise, or subscribes for new equity via an increase in registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign invested enterprise. The M&A Rules also

HISTORY, DEVELOPMENT AND REORGANISATION

provide that an offshore special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading securities of such offshore special purpose vehicle on an overseas stock exchange.

Our PRC Legal Advisers have advised us that, as our Company is a Cayman Islands company but not a PRC company defined under the M&A Rules while each of our ultimate beneficial Shareholders, namely Mr. She, Ms. Sze and Ms. Chan respectively, is a permanent resident of Hong Kong but not a PRC individual defined under the M&A Rules, the Reorganisation and the Listing are not subject to the M&A Rules.

CIRCULAR 37

According to the circular 37 issued by SAFE on 4 July 2014, the special purpose vehicles (the “SPVs”) refer 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 possess for the purpose of investments and financing. SAFE shall manage registration of the SPVs incorporated by domestic residents. Domestic residents shall apply to SAFE to register foreign exchange for overseas investments before contributing money to the SPVs using legitimate domestic and overseas assets or rights and interests. According to Circular 37, individual domestic residents refer to Chinese citizens who have an ID card, military ID card, or armed police ID card, which are for Chinese residents, as well as foreign individuals who do not have a legitimate ID card for Chinese residents but reside in China because they have economic interests in China.

Our PRC Legal Advisers are of the view that, given that each of our ultimate beneficial Shareholders, namely Mr. She, Ms. Sze and Ms. Chan, is a permanent resident of Hong Kong but not an individual domestic resident defined under Circular 37, they are not subject to the registration requirement under Circular 37.

COMPLIANCE WITH THE RELEVANT PRC LAWS AND REGULATIONS

As advised by our PRC Legal Advisers, we have obtained all necessary approvals and have complied with the relevant PRC legal requirements in respect of the incorporation of and each change in the shareholding or registered capital of our PRC subsidiaries, Satu Brown Shenzhen and South Technology Shenzhen.

OVERVIEW

We principally engage in the design, development and production management of a wide variety of homeware products with operations in the PRC and Hong Kong. We have established a product portfolio with a wide range of homeware products with different design, style, colour tone and material, which is broadly classified into three major categories including home decorations, bathroom accessories and kitchenware and tableware.

Since 2002, we have targeted overseas customers who tend to place more emphasis on the styling and contemporariness of homeware products and see them as fashionable items coinciding with the decor of the surroundings. We have built a diverse global customer portfolio comprising international brand owners and licensee, chain supermarkets and renowned department stores, including Kahler Design A/S, under their own respective brand names. During the Track Record Period, our homeware products were exported overseas with shipment destinations in more than 25 countries including U.K., Denmark, Germany, Australia, France, Poland, Italy and U.S.. During the Track Record Period, Europe was our major shipment destination which accounted for approximately 89.5% and 83.8% of our revenue by shipment destination of homeware products we sold to our customers.

During the Track Record Period, we successfully launched over 60 series of homeware products, which in aggregate include over 1,500 pieces of homeware products with various colours, sizes, shapes and features. Our products sold to our customers are mainly designed by our established product design and development team based on our own innovation or our customers' general concept or specifications. In some situations, our customers may provide their product designs for our product development. Our Directors believe that in conducting business with international brand owners and licensee, chain supermarkets and renowned department stores, we are able to differentiate ourselves from competitors by providing our customers with various services including concept creation, product design, product development, factory sourcing, production control, quality assurance, order tracking and logistics, as well as ancillary services.

We engage third party factories to undertake the production processes which allows us to focus on our core competence in design and product development and effectively manage our costs and optimise our production flow without compromising on quality by adopting stringent quality assurance procedures throughout the entire production processes.

In August 2016, we have also commenced the marketing and sales of our own branded products under our brand "SATU BROWN". Our "SATU BROWN" products are mainly home decorations which are principally designed and developed by us and being sold through third party e-commerce platform. For each of the two years ended 31 March 2017, our revenue derived from the sales of "SATU BROWN" branded products amounted to HK\$nil and approximately HK\$3.7 million, respectively.

For each of the two years ended 31 March 2017, our revenue was approximately HK\$85.7 million and HK\$65.2 million, respectively and our net profits were approximately HK\$9.3 million and HK\$10.3 million, respectively.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have been the key factors for our success and will enable us to maintain our market position and capture the anticipated future growth in our target markets.

We have well-established relationships with our major customers which are international brand owners and licensee, chain supermarkets and renowned department stores

We have well-established relationships with our major customers which are international brand owners and licensee, chain supermarkets and renowned department stores including Kahler Design A/S. The Group developed such well-established relationships through maintaining active contacts with our major customers. Not only would our Group closely communicate with the major customers at each operating stage, we also pay regular visits to our major customers. In addition, our Group participates in international trade fairs, during which we can meet up with and maintain business relationship with our major customers. The major customers of our Group also visit our showroom in Shenzhen regularly for provision of customer's theme books and sharing of the latest fashion trend information.

As at 31 March 2017, we have sustained business relationships with our five largest customers for a period ranging from approximately two to over 10 years. Our Directors believe such well-established relationships were built up by our comprehensive services including: (i) product design and development, (ii) stringent quality control, (iii) stable delivery of high quality products, and (iv) timely completion of customers' orders. Our Directors are of the view that such relationships help preserve the loyalty of our customers and reinforce commitment from our customers to place further orders with us. During the Track Record Period, we entered into a framework agreement with Kahler Design A/S for the provision of homeware products. For details of the salient terms of this framework agreement, please refer to the paragraph headed "Our Customers — Five largest customers" below in this section. According to the Industry Report, brand owners and retailers (including department stores, supermarket and hypermarket and e-commerce platform) usually procure homeware products from their suppliers by purchase orders. In line with industry practice, save for the framework agreement with Kahler Design A/S as disclosed under the paragraph headed "Our customers — Five largest customers" below in this section, we do not have long-term contracts with our other customers.

We consider that another major strength of our Group, being our efficient and effective communication with our customers, has assisted us in securing such long established relationships. Our sales and marketing team is responsible for coordinating and maintaining an effective communication channel between our overseas customers and the third party factories in the PRC. The members of our sales and marketing team communicate with customers closely through emails, telephone and/or regular visits. Such communication allows us to better understand the needs and requirements of our customers. By leveraging on the well-established relationships between us and our customers, our Directors believe that we can obtain stable orders from our customers.

We have strong and established product design and development capabilities

We provide a mix of homeware products with different design, style, colour tone and material in accordance with the preferences and standards as specified by the customers and/or designs developed by us. Our Directors believe products can only be competitive if product design and development are responsive to and align with new product trends. We offer a diverse product portfolio, including home

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decorations, bathroom accessories and kitchenware and tableware. We launch new seasonal collections twice per annum for our homeware products in order to catch up with the seasonal trends. During the Track Record Period, we successfully launched over 60 series of homeware products, which in aggregate include over 1,500 pieces of homeware products with various colours, sizes, shapes and features.

As at the Latest Practicable Date, our product design and development team had four staff members, majority of whom are bachelor's degree holders in design field with relevant experience in product design and development. Our design manager led our product design and development team.

Our product design and development team focuses on conceptualising, designing and developing product concepts and graphic arts, and researches on the characteristics of the materials so as to provide production advice on how such designs are transformed into physical products. In order to keep abreast of the trends in homeware products and to ensure that our homeware products are more associated as fashionable items, our product design and development team is responsible for determining the seasonal themes, main colours and materials to be used, analysing, identifying and monitoring new market trends, new materials and colour trends and design updates on products. Information is collected through attending trade fairs and events, studying industry magazines, communicating with major market players and visiting our customers in our major target markets regularly. Our major customers generally visit our showroom in Shenzhen, the PRC twice per year, where they may provide us with their theme books and share their latest fashion trend information. We display our new designs and newly launched products in our showroom, from which our customers may get inspiration of the design. We continuously seek to identify new product trends and applications to cater to the latest market trends.

Our product design and development team also works with third party factories, our sales and marketing team and customers to fine-tune our designs to suit the tastes of our end customers and the feasibility of production. We involve our sales and marketing team in our product selection process to ensure we adapt to the constantly changing consumer preferences of our targeted markets.

Our Directors consider that our success is in part attributable to our knowledge of the market and products, the ability to identify market trends, and the hands-on experience and acute awareness of the needs in product enhancement and development.

We adopt a streamlined business model which allows us to manage our costs effectively

We are a homeware products provider with operations in the PRC and Hong Kong. Whilst we focus on product innovation by developing our own homeware product designs as well as improving our products and production technologies to ensure the quality of our products, and establishing and maintaining our relationship with our customers, we engage third party factories to undertake the production processes while adopting stringent quality control measures throughout the production processes. For details of our quality control and assurance measures, please refer to paragraph headed

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“Quality Control and Assurance” below in this section. Our Directors believe that this enables us to maximise our returns through effective management of our costs, and afford us with the following advantages:

- (a) Through engaging third party factories, we do not incur excessive capital expenditure on purchasing production machinery as well as costs of their repair and maintenance. No storage of production machinery is required and the machinery and equipment are not left dismantled or idled during low season. It also enables us to save rental and utility costs, staff costs as well as costs in maintaining social benefits for a large workforce.
- (b) It assists us to optimise production flow and allows us to manage peak season production demands without compromising customers’ purchase orders or quality. In addition, we can benefit from the strengths of our partner factories which specialise in their respective areas of expertise.
- (c) According to the Industry Report, homeware manufacturers in the PRC usually focus on manufacturing products using a specific kind of materials. As the production of homeware products made from different materials requires different production processes and technologies, machines and equipment, the engagement of third party factories enables us to freely design our products with various materials, including ceramic, polyresin, cement, bamboo, stainless steel, wood and glass, and therefore, maximise our strength in product design and development to cater for customers’ requirements without the need of maintaining our own production lines for different materials.
- (d) According to the Industry Report, our model of engaging third party factories enables us to save compliance costs for operation of factories in the PRC brought by stricter regulations.
- (e) To the best knowledge of our Directors, homeware product providers such as homeware trading companies and specialty homeware companies possess little or lack design and development capacities and often generate relatively lower profit margins. By outsourcing the production processes, we can focus our resources on product design, development of production technologies, quality control as well as customer sales and services and supply products in stylish design and at good quality.

We have a stringent quality assurance system

We place emphasis on product quality by implementing comprehensive quality control and production control. The production and quality control processes are carried out by our quality assurance team, led by our quality assurance manager who oversees the quality control of our products by regularly visiting the third party factories and conducting product inspections. Stringent quality control procedures have been established throughout the entire production processes so as to ensure that the homeware products are manufactured with consistent, reliable and high quality standards. Our quality assurance team also meets regularly with our customers and the third party factories to review the possibilities of further quality enhancement. Based on the positive feedbacks from our major customers, we believe that the comprehensive quality control procedures and stringent quality standards adopted in the production processes are our critical success factors and constitute one of our competitive edges over other homeware product providers. For details of our quality control and assurance measures, including the selection of and quality and production control over the third party factories, please refer to the

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paragraph headed “Quality Control and Assurance” below in this section. During the Track Record Period and up to the Latest Practicable Date, we had neither any major sales return nor any complaint about product quality from our customers.

We have an experienced and dedicated management team with extensive industry experience

Our executive Directors and senior management possess relevant operational expertise and experience, and are familiar with the homeware products industry, which enable us to successfully achieve a competitive position in the homeware products industry. Mr. She, our executive Director, has more than 15 years of management and operation experience in the homeware products industry. He is responsible for the overall business development, corporate strategic planning and corporate management of our Group. Ms. Chan, our executive Director, has over 15 years of management, operation and sales experience in the homeware products industry. She is responsible for the business operation, corporate management, corporate strategy implementations and products development of our Group. Mr. Alex She, our executive Director, has over 15 years of operation and sales experience in the homeware products industry. He leads our sales and marketing team to interface with our customers and build stable customer relationship.

We believe that our growth and development have been largely attributable to the extensive experiences of our executive Directors and senior management, and our experienced and stable senior management has been critical in ensuring the consistent application of our development and operating strategies, and delivery of quality products.

BUSINESS STRATEGIES

We intend to further enhance our presence and expand our market share in the global homeware products industry and fortify our competitive strengths. To achieve these goals, we will adopt the following plans and strategies. As at the Latest Practicable Date, we do not have any plan to merge with or acquire any business or company to expand our Group.

To broaden the existing customer base, increase our market share in the existing target markets and expand into new markets

During the Track Record Period, we exported our homeware products overseas with shipment destinations in more than 25 countries including U.K., Denmark, Germany, Australia, France, Poland, Italy and U.S.. For the existing target markets, we plan to leverage on our market presence and quality customer services to attract new international brand owners and licensees in order to diversify our revenue sources and increase our market share in the existing target markets. Not only would our sales and marketing team communicates with our customers closely through emails, telephone calls and/or regular visits, we hold trade fairs at our showroom in Shenzhen, the PRC every year during March to May and September to November. During our trade fairs, our customers visit our showroom to meet and discuss with our product design and development team the new fashion trend and market preferences, explore our new products as displayed in our showroom and place bulk purchase orders. All these allow our Group to establish a good business relationship with our customers, and develop a better understanding of the customers’ needs and change in market trend. For details of our well-established relationships with our major customers, please refer to the paragraph headed “Competitive Strength — we have well-established relationships with our major customer which are international brand owners and licensee, chain supermarkets and renowned department stores” in this section above. Our Group has

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been participating in international trade fairs and trade shows since 2005, where our Group meets potential new customers. Our sales and marketing team has also made active contacts with potential new customers. For details of the new customers for the Track Record Period, please refer to the paragraph headed “Our customers” in this section below.

We plan to improve our existing office and showroom in Shenzhen, the PRC by refurbishing the existing office and showroom, purchasing office equipment, producing displayed products and expansion of administrative team for the PRC office. We also plan to establish one liaison office with showroom in Europe and one liaison office in U.S., with which we can leverage on these local liaison offices to provide prompt response to our customers’ needs and explore potential customers. For further details of the implementation plans, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

We intend to utilise HK\$13.5 million or approximately 42.2% of the net proceeds from the Share Offer (assuming Offer Price of HK\$0.22 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.20 to HK\$0.24) for broadening the existing customer base, increasing our market share in the existing target markets and expanding into new markets, among which approximately HK\$3.6 million for refurbishing the existing office and showroom in the PRC and approximately HK\$9.8 million for establishing one liaison office in each of the Europe and U.S..

To enhance design and development capabilities

According to the Industry Report, it is crucial for homeware product companies to update their product design to gain customers. We believe that product design and development in response to high quality standards, customers’ preferences and requirements and market trends are crucial to our success. In addition, we also believe that our strong product design and development capabilities and the diverse product portfolio offered by our Group would allow us to maintain our Group’s competitiveness, and at the same time attract new customers. Our goal is to make use of our innovative product ideas, our variety of designs, our innovative use of raw materials and product designs and development initiatives and translate them into commercially successful homeware products. To achieve this goal, we plan to continue improving our design capabilities and skills by providing trainings and global exposure to our product design and development team members and further enhance the design technology for development of our products and expand the size of our product design and development team to further develop our product design and development capabilities of homeware products with better functions as well as using safer and more cost-effective raw materials. Our sales and marketing team will continue to work closely with our product design and development team to exchange information on product quality standards and requirements, market trends and customers’ preferences and to more effectively incorporate these feedbacks into our product development. To facilitate our attempt of designing with new materials, developing new product and production technology, we plan to upgrade the existing design software and purchase new design software such as software for graphics design and three-dimensional design and acquire advance design hardware including a three-dimensional printer and three-dimensional modelling computers as well as moulding equipment for product development.

We intend to utilise HK\$4.8 million or approximately 15.0% of the net proceeds from the Share Offer (assuming Offer Price of HK\$0.22 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.20 to HK\$0.24) for enhancing design and development capabilities, among which

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HK\$2.2 million for providing training or sponsoring of training to and expansion of our product design and development team, and HK\$2.6 million for purchasing design and moulding machines and design software.

To enhance brand recognition and awareness and promote our corporate reputation

Our Group plans to promote our brand and corporate image through different media channels, both online and offline, including printed media and product catalogues. We will also actively study the changing trends and preferences of our customers in order to tailor our promotional initiatives to better attract their attention. We have been holding and will continue to hold innovative marketing events, and aim to increase customer engagement in such events. For example, we hold trade fairs regularly in our Shenzhen showroom. We will also continue to participate in trade fairs and exhibitions such as Ambiente Fair Frankfurt and trade fairs in Chicago and Milan.

We believe that a successful marketing strategy will help us enhance brand recognition and awareness and promote our corporate reputation. The Directors believe that a stronger brand image will enable the Group to price our products more favourably, possibly resulting in higher profit margins. To achieve this goal, we plan to expand our sales and marketing team to implement our marketing strategies as mentioned above.

We anticipate launching our own e-commerce platform by the end of 2017, on which our existing and potential customers can obtain more information about our brand and products, keep posted of our new product series, and place purchase orders with us. We plan to update the corresponding office equipment and expand our e-commerce team to support the set up of such e-commerce platform. With such self-operated e-commerce platform, we expect our brand recognition, corporate image and reputation will be enhanced.

We intend to utilise HK\$6.4 million or approximately 20.0% of the net proceeds from the Share Offer (assuming Offer Price of HK\$0.22 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.20 to HK\$0.24) for enhancing brand recognition and awareness and for promoting our corporate reputation, among which approximately HK\$2.8 million for marketing including advertising on different media as well as participating in trade shows and marketing events, approximately HK\$2.2 million for setting up our own e-commerce platform and approximately HK\$1.1 million for enhancing capacities of our sales and marketing team.

To enhance our quality assurance system

We believe that the comprehensive quality control procedures and stringent quality standards adopted in production are our critical success factors and constitute one of our competitive edges over other homeware product providers. Our stringent quality control measures throughout the production processes have ensured that our products meet high quality standards. Our Group currently perform our quality control testing in the following manners: (i) prior to mass production by third party factories, subject to the requirements of the customers, we may send samples of our products to conduct lab-test to ensure their quality are up to our and our customers' requirements; (ii) during mass production, our quality assurance team from time to time visits the third party factories and maintains close contacts with the third party factories; and (iii) prior to shipment to our customers, we will conduct onsite inspection of the finished products or request third party factories to provide us inspection reports for

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review before third party inspectors engaged by our customers conduct their inspections. For details of the quality control, please refer to the paragraph headed “Quality Control and Assurance” below in this section.

During the Track Record Period, the quality control testing and inspection charges incurred by our Group amounted to approximately HK\$191,000 for the year ended 31 March 2016 and approximately HK\$244,000 for the year ended 31 March 2017.

In order to perform product testings in a timely and efficient manner, our Group intends to set up a quality control laboratory, which can test the samples in respect of the metal elements, colour tones, durability and stability. As our products are manufactured in third party factories in the PRC, our Directors consider that it will be more cost effective for our Group to lease a place in the PRC for establishing the quality control laboratory and placing equipment for the quality control testing in such premise. We intend to establish the laboratory at the factory of our largest third party factory during the Track Record Period by entering into a lease of a term of five years with such largest third party factory. Our Directors estimated that the total set-up costs of such quality control laboratory amounts to approximately HK\$90,000, of which approximately HK\$30,000 for purchasing and installation of air conditioners, approximately HK\$40,000 for decoration and approximately HK\$20,000 for purchasing furnitures. By establishing the quality control laboratory at such largest third party factory’s premise, it is anticipated that the administrative cost and time required for transporting and transferring the samples to the quality control laboratory can be greatly reduced.

In addition, as confirmed by our Directors, during and prior to the Track Record Period, there were some potential customers approaching us for business cooperation who required their suppliers to have their own quality control laboratories for conducting product testings. We were unable to take up those purchase orders because we do not have our own quality control laboratory. As such, the establishment of the laboratory will assist our Group in meeting the requirements of such potential customers, and accordingly increase our Group’s chance in sourcing new customers and broadening our customer base.

Separately, as mentioned in the paragraph headed “Business strategies — To enhance design and development capabilities” above in this section, we believe that product design and development capabilities are crucial for our Group to remain competitive in the homeware product industry. With the establishment of the quality control laboratory, we can enhance our product development capabilities as we can perform quality control testings against the products developed by our Group directly during the process of product design and development, and in turn enhance the quality of our products.

Our Directors also believe that our brand recognition, corporate image and reputation can be enhanced by establishing our own quality control laboratory and in turn expanding our operation scale, as not all homeware product providers have their own quality control laboratories.

The Group intends to lease certain area for establishing the quality control laboratory at our largest third party factory during the Track Record Period where the equipment purchased for quality control testing will be placed. The area will be locked with fingerprint access system and will only be accessible by our Group’s personnel. Closed-circuit television and fire extinguishers will be installed and placed in the area to safeguard the equipment, which will also be covered by insurance. Our Group will be solely responsible for the operation and management of the quality control laboratory, which the technician working at the quality control laboratory will also be employee of our Group. In the event the business relationship between our Group and the largest third party factory ceases, the Group will terminate the

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lease with such largest third party factory, which the equipment and technician will be relocated. In case of relocation, we will bear the relocation cost, which would be immaterial as estimated by our Directors. Our Directors consider that the Group will not face substantial difficulties in relocation of the equipment and the laboratory as they are all moveable in nature.

In addition to setting up of the quality control laboratory, we plan to continue improving our quality assurance system by expanding the size of our quality assurance team.

We intend to utilise HK\$4.8 million or approximately 15.0% of the net proceeds from the Share Offer (assuming Offer Price of HK\$0.22 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.20 to HK\$0.24) for enhancing our quality assurance capabilities, among which approximately HK\$3.6 million for establishing a quality control laboratory at our largest third party factory during the Track Record Period to facilitate quality control and product testing processes by purchasing equipment for carrying out product testings and leasing certain area at such third party factory, approximately HK\$0.8 million for expanding our quality assurance team and approximately HK\$0.4 million for providing trainings to the quality assurance staff.

BUSINESS MODEL

We mainly design, develop and supply homeware products for international brand owners and licensee, chain supermarkets and renowned department stores under their own respective brand names. During the Track Record Period, our homeware products were exported overseas with shipment destinations in more than 25 countries including U.K., Denmark, Germany, Australia, France, Poland, Italy and U.S.. We have engaged various third party factories to undertake the entire production processes.

Our business model can generally be classified as:

- **Our own design**

Our products are mainly designed by our product design and development team during the Track Record Period. Our product design and development team will design our products after studying market trends and preferences of the target end-users and customers.

In some situations, our customers may provide us with a general concept and/or theme book for the type of homeware products they want, pursuant to which we will provide our patterns or product design by coupling our experience in homeware production. Our customers may also provide us with the specifications of the products and we will develop drawings accordingly.

We communicate closely with our customers to ensure that our design properly reflects the idea and message behind the conceptual design of our customers during the product design process. We then make prototypes or sample products for customers' selection and ordering. The customers will place sales orders with us after approving the product design and specifications.

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- **Customer design**

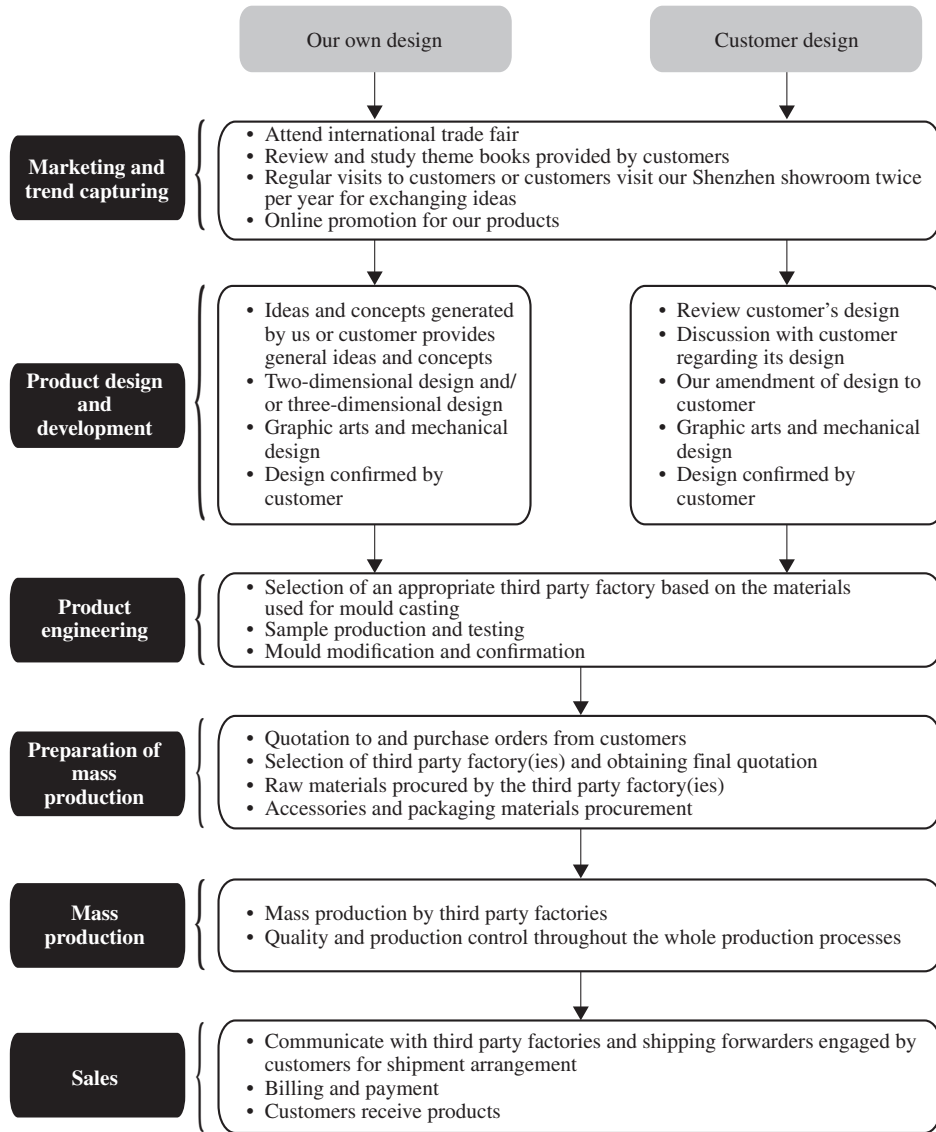
Our customers provide us with their own specific product design or technical drawings, which our product design and development team then evaluates the drawings and the feasibility of production, discusses with the customers for possible enhancements and improvements and provides our advice on the design and drawings.

The following table sets forth our revenue and gross profit margin by type of design for the years indicated:

Type of Design	Years ended 31 March			
	2016		2017	
	Revenue	Gross profit margin	Revenue	Gross profit margin
	<i>HK\$'000</i>		<i>HK\$'000</i>	
Our own-designed products	50,502	32.4	43,154	41.1
Customer-designed products	<u>35,167</u>	32.1	<u>22,070</u>	36.2
	<u><u>85,669</u></u>	32.3	<u><u>65,224</u></u>	39.5

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The following diagram illustrates our principal business model:



As for our customers' designs, our customers retained the intellectual property rights of the designs. As for our Group's designs, the Group generally retains the intellectual property rights of the designs. However, in certain transactions and especially with some of the Group's key customers, the parties to the transaction would negotiate and agree, as part of the terms and conditions to the transactions, to vest the intellectual property rights of the designs designed by the Group in such customers.

In August 2016, we have developed our own brand "SATU BROWN". Our "SATU BROWN" products are mainly home decorations which are principally designed and developed by us. The operational flow of the sales of our "SATU BROWN" products is substantially similar to that of the sales of customers' branded products. Our product design and development team creates the ideas and concepts of our products and prepares the design and technical drawings which are assessed by our sales

and marketing team on marketability. After the samples and prototypes have passed all the relevant tests, we will determine the commercial launching time and instruct our third party factories to manufacture the products for sale on third party e-commerce platform.

Marketing and trend capturing

Our Directors and sales and marketing team will, from time to time, attend international trade fair, Ambiente Fair Frankfurt, to study the market trends and the change in end-users' preferences on homeware products, including the upcoming design themes, concepts, colour tones, and materials. For details of our sales and marketing activities, please refer to the paragraph headed "Sales and Marketing" below in this section. Some major customers issue their own theme books based on their understanding on the fashion trends and the end customers' preferences, which set the tone of the design of their branded products for the year. Our product design and development team review and study the theme books so as to capture the fashion trends predicted by the key industry players. Further, our sales and marketing team, headed by Mr. Alex She, pays regular visits to our customers in our major target markets to discuss and understand our customers' preferences and market our products. In addition, our major customers generally visit our showroom in Shenzhen, the PRC twice per year, when they may provide us with their theme books and share their latest fashion trend information. We display our new designs and newly launched products in our showroom, from which our customers may get inspiration of the design. Further, we commenced promoting our "SATU BROWN" products on third party e-commerce platform in August 2016. We collect our sales data from e-commerce platform to analyse the customers' tastes and preferences. Our Directors believe that we have established effective communication and cooperation channels with our major customers to share market intelligence in a timely and prompt manner, which keeps our design and products up-to-date with market trend.

In addition, with our experience in the homeware products industry, we believe that we have a thorough understanding towards different raw materials on homeware products manufacturing which enables us to provide useful input to customers on choices of raw materials, design feasibility to suit end-users' preferences, and provide practical advice to third party factories.

Product design and development

Our Directors consider product design and development being one of the most important factors for our success. For details of our product design and development team and our product design and development process, please refer to the paragraph headed "Design and Development" below in this section.

Product engineering

Once the design has been confirmed, we will preliminarily select a third party factory from our internal approved list based on the complexity of the design and the material to be used to cast the mould of the products. The third party factory casting the mould may not necessarily be the third party factory to be selected for mass production of the product. We will test the samples and provide suggestions to the third party factory on mould modification. After necessary modification and adjustment, we will ship a small batch of samples to our customer for its confirmation. If our customer does not require further modification, the mould is confirmed and ready for mass production.

Preparation of mass production

After our customers confirm with us the product samples they require for mass production, we will provide our quotations through emails. For details of our pricing policy, please refer to paragraph headed “Our customers — Pricing policy” below in this section. Our customers will place purchase orders at the agreed price. Upon receipt of purchase orders from our customers, our sales and marketing team will review the orders, check with third party factories for production capability, pricing and production lead time and confirm the details with the customers. To better control our costs of purchase and quality of products, we generally will obtain fee quotations from two to three third party factories on our internal approved list. We select third party factories based on cost analysis and other factors, including the availability of machinery and technology competency and production specialisation. To the best knowledge of our Directors, some of our major customers maintain their own audited factories list. For the purchase orders from these major customers, we select the third party factories with required skills and machinery from the customers’ audited factories list.

We have established stringent internal control measures and standards for selecting and approving qualified third party factories. For details of the factors to consider in selecting third party factories, please refer to the paragraph headed “Third Party Factories” below in this section. To the best of our Directors’ knowledge, during the Track Record Period and up to the Latest Practicable Date, we did not receive any complaints on products from customers or non-compliance with the applicable laws or regulations on the third party factories.

Once a third party factory has been selected, we make concerted efforts to ensure its quality and standards meet the requirements of our customers by maintaining regular visits and close contacts with the third party factory throughout the production processes, such that the third party factory can better understand the design and requirements of our customers. Through years of cooperation with these third party factories, we are able to ensure stability of quality in the products manufactured by the third party factories. For details of the third party factories and the production arrangement between us and the third party factories, please refer to the paragraph headed “Third Party Factories” below in this section. As confirmed by our Directors, we have not experienced any significant difficulties in sourcing third party factories to manufacture products for our customers during the Track Record Period and up to the Latest Practicable Date.

As the third party factories are familiar with the characteristics of the raw materials and have their own cooperated material suppliers, the third party factories are responsible to procure the raw materials directly from material suppliers for the production of our products and we do not procure such raw materials. Our consumable material suppliers mainly supply accessories and packaging materials. For details of our consumable material suppliers, please refer to the paragraph headed “Consumable Material Suppliers” below in this section.

Mass production

We engaged third party factories for the production processes and we mainly focus on and are responsible for the quality and production control throughout the whole production processes. The quality control of the third party factories are carried out by our quality assurance team comprising three staff as at the Latest Practicable Date. The quality assurance team from time to time visits the third party factories and maintains close contact with them to monitor the progress of production. Our quality and production controls over the third party factories mainly cover the control over the quality of the raw

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materials used by the third party factories, the production procedures of the third party factories and the quality of the finished products. For details of our quality control and assurance, please refer to the paragraph headed “Quality Control and Assurance” below in this section. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge and belief of our Directors, we have not encountered any major quality control issues on the products manufactured by the third party factories. During the Track Record Period and up to the Latest Practicable Date, there was no major return of products supplied by us to our customers.

Sales

Upon satisfactory inspection of the products by us, our shipping department communicates with our third party factories to arrange inland transportation logistics and we normally have a production lead time of around 45 to 90 days. Our products are mainly sold on FOB terms, which the shipping forwarders engaged by our customers will be responsible for the arrangement of shipment, and our customers generally distribute these products to their stores in the respective shipment destinations. In order to ensure our products are delivered to the local ports as designated by our customers on time, our shipping department keeps close communication with our customers, the third party factories and shipping forwarders engaged by our customers on timing of delivery. For our “SATU BROWN” branded products, we generally promote and sell these products on third party e-commerce platform. Generally, we are responsible to deliver our products to the warehouses as designated by the third party e-commerce platform who will arrange the logistics of our online products on its platform.

PRODUCTS AND BRANDS

We have established a product portfolio consisting of a wide range of homeware products with different design, style and color tone, which is broadly classified into three major categories: home decorations, bathroom accessories and kitchenware and tableware. The following table sets forth our revenue by product category for the period indicated:

Product category	Years ended 31 March			
	2016		2017	
	Revenue	%	Revenue	%
	<i>HK\$'000</i>		<i>HK\$'000</i>	
Home decorations	56,793	66.3	31,983	49.0
Bathroom accessories	25,472	29.7	29,020	44.5
Kitchenware and tableware	2,505	2.9	1,852	2.8
Others <i>(Note)</i>	899	1.1	2,369	3.7
	85,669	100.0	65,224	100.0

Note: Others mainly represented small household hardware including umbrellas, electronic glasses and magnetic board puzzles games.

Home decorations and bathroom accessories represented the majority of our sales of homeware products, the aggregate revenue represented with approximately 96.0% and 93.5% respectively of our total revenue for each of the two years ended 31 March 2017. Customer demand for our homeware products is the key driver of our revenue. The sale of different homeware product category for each period depend on the product order mix from our customers.

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Our products are principally sold to international brand owners and licensee, chain supermarkets and renowned department stores under their own respective brand names. We have developed our own brand “SATU BROWN” in August 2016 as well. Our “SATU BROWN” products are mainly home decorations which are principally designed and developed by us and being sold through third party e-commerce platform. For each of the two years ended 31 March 2017, our revenue derived from the sales of our “SATU BROWN” products amounted to HK\$nil and approximately HK\$3.7 million, respectively.

Home decorations

Home decorations are the decorations exhibited at home, including vases, tealight holders and jewellery dishes.



Bathroom accessories

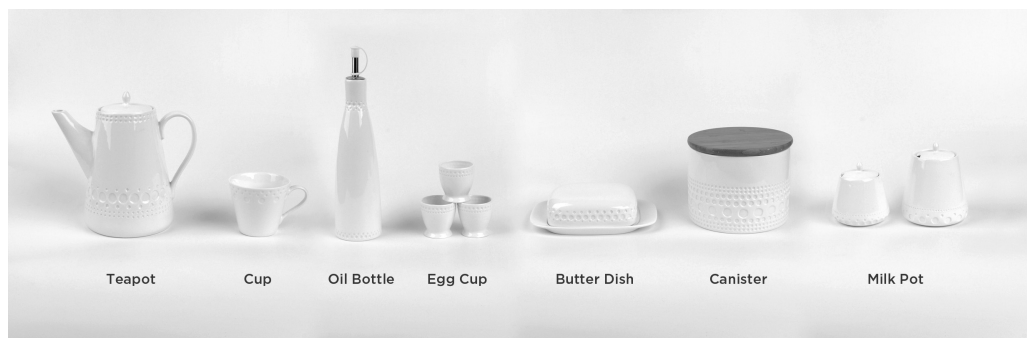
Bathroom accessories are small objects used in bathroom, including the soap dishes, soap dispensers and toilet brush holders.



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Kitchenware and tableware

Kitchenwares and tablewares are utensils used in the kitchen and articles used on the table at meals, including teapots, cups and oil bottles.



Analysis of selling prices of our products

During the Track Record Period, all of our homeware products were sold to customers which were Independent Third Parties.

The below table sets out the price ranges for our major types of homeware products for the years indicated. The difference in prices for our homeware products during the Track Record Period was primarily due to the size of the products and the raw materials used.

	Years ended 31 March			
	2016		2017	
	Low end	High end	Low end	High end
	<i>HK\$</i>			
Home decorations	9.4	116.9	6.2	623.5
Bathroom accessories	1.7	114.6	2.1	140.3
Kitchenware and tableware	10.3	171.5	17.1	134.1

The following table sets forth our sales volume and average selling price by major product category for the years indicated:

Product category	Years ended 31 March			
	2016		2017	
	Sales volume	Average selling price	Sales volume	Average selling price
	<i>units '000</i>	<i>HK\$</i>	<i>units '000</i>	<i>HK\$</i>
Home decorations	1,536	37.0	1,121	28.5
Bathroom accessories	1,085	23.5	1,365	21.3
Kitchenware and tableware	78	32.1	56	33.1

For factors affecting future price trend of our homeware products, please refer to the section headed “Industry Overview” in this prospectus.

DESIGN AND DEVELOPMENT

Product design and development team

We place great emphasis on our product design and development by offering a diverse range of quality products. Our product design and development is performed by our designers. As at the Latest Practicable Date, our product design and development team consisted of four staff, which was led by our design manager. The designers in our product design and development team have one to 10 years of experience in design and development.

Our product design and development team is primarily responsible for conducting market research, designing products based on own concept, collaborating with customers on product design based on preliminary concepts provided by customers and to enhance the functions and designs of our existing products and designs provided by our customers. Our product design and development team will also explore new features of our products and the use of different and new types of materials. We also work closely with our customers in the market research, product design and customising such products to cater for the needs of our customers. During the Track Record Period, we successfully launched over 60 series of homeware products, which in aggregate includes over 1,500 pieces of homeware products with various colours, sizes, shapes and features. Our product design and development is supported by Satu Brown Shenzhen. During the Track Record Period, an intra-group service fee for such service provided by Satu Brown Shenzhen amounted to approximately HK\$0.7 million for the two years ended 31 March 2017, with reference to the salaries and social insurance cost for the staff. On 1 April 2017, Satu Brown Shenzhen and B&C Industries HK entered into an intra-group service agreement to govern the provision of product design and development services performed by Satu Brown Shenzhen.

Product design and development process

Our own design

Our product design and development team works closely with the sales and marketing team to develop market-oriented product solutions. Our product design and development team analyses the market research and trend of homeware designs provided by our sales and marketing team to create ideas and concepts that capture the market trends and preferences of the target end-users and customers. They also discuss with our sales and marketing team to further understand the market trend and preferences from the customers' feedbacks.

Based on the concepts developed, our product design and development team will then design a two-dimensional design and subsequently a three-dimensional design (if necessary depending on the complexity of the design) of the products after taking into account production feasibility. When such concept evolves into a design, our sales and marketing team will assess the manufacturing and technical feasibility of the products.

We launch new seasonal collections twice per annum for our homeware products in order to catch up with the seasonal trend. Our design manager and the management team select some of the outstanding designs that are technically feasible for production to be incorporated into the promotion booklet of our Group. The promotion booklet contains different series of designs as selected and confirmed by the management team, with various products being designed for each series. Our product design and development team will then decorate our showroom to create and display prototypes (a

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preliminary sample built to demonstrate the intended design and visual appearance of the product) of the new seasonal collections as well as show our understanding of the latest fashion trend and concept. We distribute the promotion booklets including our design collections to our customers in our trade fairs held at our showroom in Shenzhen, the PRC every year during March to May and September to November.

For the designs selected by our customers, our product design and development team may provide comments on the prototypes and sample products and upon making the changes to address our customers' comments, orders will be placed by our customers and the approved products will be produced by the third party factories and delivered to our customers according to the relevant purchase orders. For the designs not chosen by our customers, some of them will become the products for our own brand "SATU BROWN".

In some situations, our customer may provide us with a general concept and/or theme book for the type of homeware products that our customers want, pursuant to which we will come up with our pattern or product design by coupling with our experience in homeware production after taking into consideration factors such as functionality, appearance and design trends. Our product design and development team together with our sales and marketing team will communicate with our customers closely to discuss on our designs and drawings before we finalise the product concept and graphic arts which later will be converted into mechanical designs.

Customer design

For customer design, our customer will provide us with our customers' specific design or technical drawings, which our product design and development team then evaluates the drawings and feasibility of production, discusses with the customers for possible enhancements and improvements and provides our advice on the design and drawings for our customers' consideration. Our product design and development team then finalises product concept and graphic arts which later will be converted into mechanical designs.

In order to protect all the designs of homeware products owned by our customers, information pertaining to customers' design is generally kept confidential from any third parties or the general public, other than the third party factories. Further, we have requested our major third party factories to sign confidentiality agreements with us for better protection of such confidential information. As such, third party factories are obliged to keep confidential our commercial secrets (which includes design, specification and costs of production of the products).

OUR CUSTOMERS

Over the years of our operations, we have built a diverse global customer portfolio mainly comprising international brand owners and licensee, chain supermarkets and renowned department stores. During the Track Record Period, our homeware products were exported overseas with shipment destinations in more than 25 countries including U.K., Denmark, Germany, Australia, France, Poland, Italy and U.S..

For each of the two years ended 31 March 2017, our revenue was approximately HK\$85.7 million and HK\$65.2 million, respectively.

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Our Group transacted with 45 and 53 customers in total for the two years ended 31 March 2017 respectively. For the year ended 31 March 2016, we had 34 recurring customers who had transacted with us prior to the year and 11 new customers with revenue generated of approximately HK\$64.9 million or 75.7% and approximately HK\$20.8 million or 24.3% of the total revenue for the year respectively. For the year ended 31 March 2017, we had 37 recurring customers and 16 new customers with revenue generated of approximately HK\$55.1 million or 84.5% and approximately HK\$6.4 million or 9.8% of our total revenue for the year respectively.

The table below sets out a breakdown of our revenue, gross profit and gross profit margin by customer type for the years indicated and the percentage to our total revenue:

Customer type	Years ended 31 March							
	2016				2017			
	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin
<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>		
Homeware brand owners and licensee	66,575	77.7	21,233	31.9	32,709	50.1	12,874	39.4
Chain supermarkets	11,352	13.2	3,524	31.0	19,871	30.5	7,652	38.5
Department stores	4,356	5.1	1,658	38.1	5,654	8.7	2,474	43.8
Others ^(Note)	<u>3,386</u>	<u>4.0</u>	<u>1,229</u>	36.3	<u>6,990</u>	<u>10.7</u>	<u>2,732</u>	39.1
	<u>85,669</u>	<u>100.0</u>	<u>27,644</u>	32.3	<u>65,224</u>	<u>100.0</u>	<u>25,732</u>	39.5

Note: Others represented sales to small homeware shops and through the third party e-commerce platform. During the Track Record Period, revenue derived from sales of “SATU BROWN” products which mainly included home decorations sold through third party e-commerce platform accounted for HK\$nil and approximately HK\$3.7 million, respectively.

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The table below sets out, for the years indicated, a breakdown of our revenue by shipment destination of the homeware products we sold to our customers and the respective percentage to our total revenue. The location of customers' headquarters may not necessarily correspond to the region in which the products are ultimately sold by our customers.

Country	Years ended 31 March			
	2016		2017	
	Revenue <i>HK\$'000</i>	%	Revenue <i>HK\$'000</i>	%
U.K.	8,616	10.1	20,843	32.0
Denmark	31,331	36.6	16,958	26.0
Germany	5,291	6.2	5,310	8.1
Australia	2,227	2.6	4,301	6.6
France	7,010	8.2	3,002	4.6
Poland	1,924	2.2	2,835	4.3
Italy	474	0.5	2,260	3.5
U.S.	1,613	1.9	2,229	3.4
Turkey	1,983	2.3	1,080	1.7
Canada	1,964	2.3	441	0.7
Russia	1,029	1.2	439	0.7
Netherlands	19,025	22.2	184	0.3
Other countries <i>(Note)</i>	3,182	3.7	5,342	8.1
Total	85,669	100.0	65,224	100.0

Note: Other countries included Spain, Switzerland, Norway, Dubai, Mexico, Brazil, Sweden, Belgium, Romania and Tunisia.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we did not have material disputes with our customers.

Five largest customers

For each of the two years ended 31 March 2017, our aggregate sales to our five largest customers accounted for approximately 83.7% and 65.0% of our revenue respectively. Our largest customer accounted for approximately 36.4% and 24.3% of our revenue respectively, for the same periods.

As at the Latest Practicable Date, our business relationships with our five largest customers ranged from approximately two to over 10 years. Our Directors believe such well-established relationships stem from the recognition of our product quality and timely completion of customers' orders under delivery schedules. Our Directors believe that such relationships help preserve the loyalty of our customers and reinforce commitment from our customers to place further orders with us.

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The tables below set out the details of our five largest customers during the Track Record Period:

For the year ended 31 March 2016

Customer	Background and business nature	Major products sold	Credit Term	Payment method	Revenue <i>HK\$'000</i>	% of our total revenue	Business with the customer commenced since
Kahler Design A/S	A ceramic products brand owner founded in 1990 based in Denmark	Home decorations	30 days	Telegraphic transfer	31,181	36.4	2010
Customer A	A procurement company and brand licensee in the Netherlands that is engaged in the support for marketing products for loyalty programs, the ultimate parent company of which is listed on the New York Stock Exchange with total stockholders' equity of USD1,658.2 million as at 31 December 2016	Home decorations	30 days	Telegraphic transfer	18,805	22.0	2015
Customer B	A subsidiary of a multinational company engaged in the home improvement industry listed on the London Stock Exchange. Its group has nearly 1,200 stores spanning across 10 countries in Europe with called up share capital of £352 million as at 31 January 2017	Bathroom accessories	90 days	Telegraphic transfer	11,232	13.1	2010
Customer C	A subsidiary of a U.K. based multinational supermarket chain whose shares are listed on the London Stock Exchange with called up share capital of £409 million as at 25 February 2017. Its group operates nearly 6,500 stores in over 10 countries in Asia and Europe	Home decorations and bathroom accessories	90 days	Telegraphic transfer	7,289	8.5	2013

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Customer	Background and business nature	Major products sold	Credit Term	Payment method	Revenue <i>HK\$'000</i>	% of our total revenue	Business with the customer commenced since
Customer D	Member of a multinational retailer based in France listed on the Euronext Stock Exchange with share capital of EUR1.89 billion as at 31 December 2016 and its group is one of the largest hypermarket chains	Home decoration and bathroom accessories	90 days	Telegraphic transfer	3,128	3.7	2006
Total					<u>71,635</u>	<u>83.7</u>	

For the year ended 31 March 2017

Customer	Background and business nature	Major products sold	Credit Term	Payment method	Revenue <i>HK\$'000</i>	% of our total revenue	Business with the customer commenced since
Kahler Design A/S	A ceramic products brand owner founded in 1990 based in Denmark	Home decorations	30 days	Telegraphic transfer	15,817	24.3	2010
Customer C	A subsidiary of a U.K. based multinational supermarket chain whose shares are listed on the London Stock Exchange with called up share capital of £409 million as at 25 February 2017. Its group operates nearly 6,500 stores in over 10 countries in Asia and Europe	Home decorations and bathroom accessories	90 days	Telegraphic transfer	10,973	16.8	2013

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Customer	Background and business nature	Major products sold	Credit Term	Payment method	Revenue <i>HK\$'000</i>	% of our total revenue	Business with the customer commenced since
Customer B	A subsidiary of a multinational company engaged in the home improvement industry listed on the London Stock Exchange with called up share capital of £352 million as at 31 January 2017. Its group has nearly 1,200 stores spanning across 10 countries in Europe	Bathroom accessories	90 days	Telegraphic transfer	9,970	15.3	2010
Customer E	A subsidiary of one of the U.K.'s leading retailers principally engaged in the retail of clothing, footwear, food and home products whose shares are listed on London Stock Exchange with ordinary share capital of £406.2 million as at 1 April 2017	Home decorations	120 days	Telegraphic transfer	2,947	4.5	2010
Customer F	One of the largest supermarket chains in Australia listed on the Australian Securities Exchange with issued share capital of AUD5,347 million as at 26 June 2016. We have the business relationships with two indirect-wholly-owned subsidiaries of the group, including Food Company HK Procurement Pty Limited (formerly known as Woolworths (H.K.) Sales Limited)	Home decorations and bathroom accessories	90 days	Telegraphic transfer	2,686	4.1	2015
Total					<u>42,393</u>	<u>65.0</u>	

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Kahler Design A/S was founded in 1990 and is based in Holmegaard, Denmark. It principally engages in the manufacturing and sales of ceramic products and glassware in Denmark and is a brand owner of homeware products. It has flagship store located in Denmark. Apart from Denmark, its retailers are located in other countries including U.K., France, Belgium, Netherlands, Germany, Switzerland, Austria, Norway and Sweden.

Customer A, is a procurement company and brand licensee in Netherlands that engages in the support for marketing products for loyalty programs. Its group primarily engages in the business of providing marketing and loyalty solutions to a diverse range of customers and offers a comprehensive portfolio of integrated outsourced marketing solutions, including customer loyalty programs, database marketing services, end-to-end marketing services, analytics and creative services, direct marketing services and private label and co-brand retail credit card programs. The ultimate parent company of Customer A is listed on the New York Stock Exchange with total stockholders' equity of USD1,658.2 million as at 31 December 2016 and is one of the constituents of the Standard & Poor's 500 index.

Customer B is a Hong Kong company incorporated in 1994, which principally engages in sourcing of home improvement products. It is a wholly owned subsidiary of a multinational company engaged in the home improvement industry, which is listed on the London Stock Exchange with called up share capital of £352 million as at 31 January 2017. Its group has nearly 1,200 stores spanning across 10 countries in Europe with over 70,000 employees worldwide. According to the 2016/2017 annual report of Customer B's holding company, total sales of the group for the year ended 31 January 2017 reached approximately £11.2 billion and with statutory post-tax profit of over £610 million for the same period.

Customer C is a Hong Kong company incorporated in 1973, a wholly owned subsidiary of a U.K. based multinational supermarket chain whose shares are listed on the London Stock Exchange with called up share capital of £409 million as at 25 February 2017. As one of the largest retailers in the world, the group employs over 450,000 employees and operates over 6,500 stores in over 10 countries in Asia and Europe. According to the 2017 annual report of Customer C's holding company, the group recorded total revenue and profit for the year before exceptional items of approximately £55.9 billion and £507 million for the 52 weeks ended 25 February 2017, respectively.

Customer D is a Hong Kong company incorporated in 1995, which principally engages in sourcing and exporting hard goods, home, electronics, textile and footwear products from Asia Pacific and Europe to the worldwide stores of its group. Customer D belongs to a group which is a multinational retailer and its group is based in France, the shares of which are listed on Euronext Stock Exchange with share capital of EUR1.89 billion as at 31 December 2016. According to the 2015 annual activity and responsible commitment report of the listed member of the group, the listed group operates in more than 30 countries in Europe, America, Asia and Africa and is one of the largest hypermarket chains with over 1,400 hypermarkets and over 7,000 convenience stores at the end of 2015. It employed more than 380,000 employees as at the end of 2015.

Customer E is a U.K. company incorporated in 1926 and a subsidiary of one of the U.K.'s leading retailers, with over 1,300 stores spread across Europe, Asia and Middle East. Its group is listed on the London Stock Exchange with ordinary share capital of £406.2 million as at 1 April 2017 and is one of the constituents of the FTSE 100 index. Its group principally engages in the retail of clothing, footwear, food and home products. Its total revenue and gross profit before tax were approximately £10.6 billion and £488.8 million for the 53 weeks ended 2 April 2016, respectively.

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Customer F is one of the largest supermarket chains in Australia with operations primarily in Australia and New Zealand. We have the business relationships with its two indirect wholly owned subsidiaries, including Food Company HK Procurement Pty Limited (formerly known as Woolworths (H.K.) Sales Limited). Our revenue from Food Company HK Procurement Pty Limited amounted to approximately HK\$0.3 million for the year ended 31 March 2017; whereas, our revenue from the other indirect wholly-owned subsidiary of Customer F, with whom we have business relationship, amounted to approximately HK\$2.4 million for the same period. Customer F is listed on the Australian Securities Exchange with issued share capital of AUD5,347 million as at 26 June 2016. According to its 2016 annual report, the group has over 3,000 stores and a labour force of over 200,000 employees and recorded total sales from continuing operations of approximately AUD\$58 billion in 2016.

During the Track Record Period, we entered into a framework agreement with Kahler Design A/S for the provision of homeware products, salient terms of which include general terms such as the delivery time, quality control requirements, change of price and termination clauses. All detailed terms, specifications and requirements will be specified in the purchase orders. Under the framework agreement, the delivery time shall not exceed 45 days from signed proforma invoice or sales contract. We and Kahler Design A/S agreed that the parties will conduct business review at least once a year. Quality control will be conducted by third party according to Acceptable Quality Level II. The production shall comply with the good manufacturing practice and food safety under the relevant laws. We are entitled to raise the price of products based on fluctuation of marked prices of raw materials, energy, labour costs and currencies. Intellectual property rights to the products and/or product names belong to Kahler Design A/S. Either party may terminate the framework agreement by written notice to the other party (i) if default payment of the other party continues for a period of 30 days after delivery of written notice of such default by terminating party; (ii) if default performance of the other party (provided that the default can be remedied) continues to be unremedied for a period of 30 days after delivery of written notice of such default by terminating party; or (iii) if the other party becomes insolvent, files bankruptcy or is liquidated.

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we did not have any material breach of the framework agreement with Kahler Design A/S as mentioned above. Further, we had no product quality issues and/or disputes with regard to our sales to Kahler Design A/S during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, we did not enter into any long-term agreement with other customers. Our sales are generally conducted on the basis of confirmed purchase orders which set out the specific terms for a particular batch of orders, including shipment terms, payment terms, delivery date, product description, price and quantity. Most of our customers only confirm their orders two to four months in advance depending on the product lifecycle, which our Directors confirm that it is in line with the industry norm. We maintain close communications with our customers throughout the entire processes. At times, some customers will provide purchase forecasts, we will then be able to estimate our sales with some reliability. During the Track Record Period and up to the Latest Practicable Date, we did not have any significant disputes with our customers nor experienced any sales returns.

As confirmed by our Directors, none of our Directors, their respective close associates or any Shareholder who owned more than 5% of the issued share capital of our Company, had any interests in any of the five largest customers during the Track Record Period.

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Business activities with customers from Russia and Tunisia

Sales to customers from Russia and Tunisia

During the Track Record Period, we had sales with customers from Russia and Tunisia, where individuals and certain activities may be subject to International Sanctions. The amount of our revenue generated from sales to customers from Russia and Tunisia for each of the two years ended 31 March 2017 was approximately HK\$1.0 million and HK\$0.5 million respectively, representing approximately 1.2% and 0.8% of our total revenue for the same years, respectively. The following table sets forth the respective revenue generated from sales to customers from Russia and Tunisia during the Track Record Period:

Region	Years ended 31 March					
	2016	% of total		2017	% of total	
	Revenue <i>HK\$'000</i>	revenue		Revenue <i>HK\$'000</i>	revenue	
Russia <i>(Note 1)</i>	1,029	1.2		439	0.7	
Tunisia <i>(Note 2)</i>	—	—		51	0.1	
	<u>1,029</u>	<u>1.2</u>		<u>490</u>	<u>0.8</u>	

Note 1: As advised by the Sanctions Law Advisers, the U.N. has not imposed any country-specific sanctions against Russia during the Track Record Period.

Note 2: As advised by the Sanctions Law Advisers, the U.S., the U.N. and Australia have not imposed any country-specific sanctions against Tunisia during the Track Record Period.

We confirm that, save as disclosed in the paragraph headed “Business activities with customers from Russia and Tunisia” in this section, our Group did not have during the Track Record Period and up to the Latest Practicable Date, any business activities in connection with any countries, governments, entities or individuals sanctioned by the U.S., the U.N., the E.U. and Australia. Having screened the exact counterparty names against the relevant applicable sanctions lists, the Sanctions Law Advisers confirm that none of the Group’s customers from Russia and Tunisia is a Sanctioned Person. Having obtained the legal advice from the Sanctions Law Advisers and based on (i) the best knowledge of the Directors as to the background and nature of our customers, and (ii) the fact that no governmental authorities or other entities had notified the Group that any sanctions would be imposed on the Group in relation to the Group’s sales to customers from Russia and Tunisia during the Track Record Period, our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, during the Track Record Period, none of our customers from Russia and Tunisia was a Sanctioned Person.

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The Sanctions Law Advisers have advised that the sanctions risk exposure to our Group, the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors as a result of our Group's sales to customers from Russia and Tunisia during the Track Record Period is very low due to the following reasons:

- (a) for the U.S. sanctions laws, the exact counterparty names were screened through OFAC's database, which contains all designated individuals and entities on the SSI List and that the Sanctions Law Advisers as to the U.S. sanctions laws confirm that none of our Group's customers located in Russia was direct hits on the SSI List. In relation to our sales to customers from Russia and Tunisia, our Group has not been notified that any sanctions will be imposed on it. Our sales to customers from Russia and Tunisia do not involve industries or sectors that are currently subject to specific U.S. sanctions, and therefore, are not deemed to be prohibited activities under U.S. sanctions laws and regulations. The Sanctions Law Advisers as to the U.S. sanctions laws confirm that the U.S. did not impose any country-specific sanctions against Tunisia during the Track Record Period;
- (b) for the U.N. sanctions laws, the Sanctions Law Advisers as to the U.N. sanctions laws confirm that the U.N. did not impose any country-specific sanctions against Russia and Tunisia during the Track Record Period;
- (c) for the E.U. sanctions laws, the Sanctions Law Advisers as to E.U. sanctions laws screened the exact counterparty names against all applicable sanctions lists relevant to the E.U. sanctions regulations and confirm that none of our Group's customers located in Russia and Tunisia is person subject to E.U. sanctions regulations. Based on the due diligence process carried out by our Sanctions Law Advisers as to E.U. sanctions laws, on the basis, amongst other things, that our Group principally engages in the design, development and production management of a wide variety of homeware products, our Group's business dealings do not appear to implicate the prohibitions and wider restrictions under existing E.U. sanctions measures, including those extended to the U.K. Overseas Territories, and our sales during the Track Record Period do not appear to involve industries or sectors that are currently subject to prohibitions and wider restrictions under existing E.U. sanctions measures, including those extended to the U.K. Overseas Territories; and
- (d) for the Australian sanctions laws, the Sanctions Law Advisers as to Australian sanctions laws screened the exact counterparty names against all applicable sanctions lists relevant to Australian sanctions and confirm that none of our Group's customers located in Russia is person subject to Australian sanctions regulations. On the basis that the Group's dealings do not appear to involve products or services that are restricted under Australian export controls, the Sanctions Law Advisers as to Australian sanctions laws advised that our Group's activities do not appear to implicate International Sanctions measures administered and enforced by the government of Australia, and our sales during the Track Record Period do not appear to involve industries or sectors that are currently subject to restrictions adopted by the government of Australia. The Sanctions Law Advisers as to the Australian sanctions laws confirm that Australia did not impose any country-specific sanctions against Tunisia during the Track Record Period.

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Our Directors confirm that as to the Latest Practicable Date, no governmental authorities or other entities had notified us that any sanctions would be imposed on us in relation to our sales to customers from Russia and Tunisia during the Track Record Period.

Our internal control procedures

We will continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders. The following measures have been fully implemented as at the date of this prospectus to control and monitor our exposure to sanctions risks:

- the Board has established a risk management committee (the “**Risk Management Committee**”) comprising Ms. Chan, Mr. Alex She and Ms. Fan Pui Shan. The Risk Management Committee is responsible for, among others, monitoring our exposure to sanctions risk and our implementation of the related internal control procedures. Our Risk Management Committee will hold meetings regularly to monitor our exposure to sanctions risk, and check the information (including identity, location and nature of business) of the counterparty to the contract against various lists of restricted countries and parties maintained by the U.S., the U.N., the E.U. and Australia;
- the Risk Management Committee will review our internal control procedures relating sanctions laws regularly; and
- we shall open and maintain separate bank account(s) which is/are designated for proceeds from the Share Offer, as well as any other funds raised through the Stock Exchange and our Directors will continuously monitor the use of proceeds from the Share Offer, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any sanctioned country or any other government, individual or entity sanctioned by the U.S., the U.N., the E.U. or Australia.

Based on the above internal control measures which we have effectively adopted, our Directors expect that sales to customers from Russia and Tunisia will continue.

With regard to the internal control measures set out above, after undertaking relevant due diligence, and subject to the full implementation and enforcement of these measures, our Directors and the Sole Sponsor, after taking into account the views of our Sanctions Law Advisers and Internal Control Consultant, are of the view that these measures will provide an adequate and effective framework to assist our Group in identifying and monitoring any material risk relating to sanctions laws.

Pricing policy

We determine our pricing by adding a margin to the estimated cost of purchase which mainly comprise of the quotation from third party factories, after taking into account major factors including size of the order, value added by us such as product design and development, as well as the complexity of the design. Our Directors are not aware of any existing legal or regulatory controls in countries where we conduct business that regulate the price of our products.

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Credit control

Payments by customers were primarily made by telegraphic transfer and letter of credit and our credit periods vary from 30 days to 120 days during the Track Record Period. During the Track Record Period and as at Latest Practicable Date, we had granted a credit term of 120 days to three customers, having considered they are sizable and reputable customers whose internal policy requires a longer credit period of 120 days. The payment method and the credit period were granted after having considered the respective customer's known financial position, credit track record, quantity of orders and future business prospects. We generally require new customers to pay a deposit.

Our accounting department is responsible for preparing monthly trade aging report, which is distributed to the management for monitoring purpose and alerting them of overdue balances. In the event that there is an overdue balance, sales and marketing personnel and senior management will liaise with the relevant customers to seek prompt settlement. During the Track Record Period, we had not experienced any major defaults in payments or bad debts from our customers which may materially affect our financial condition and operating results.

Customer services

Given the nature of our products, our customers do not require us to offer after-sales services. If we receive any complaint from our customers, our sales and marketing team will handle such complaint, request the customers to send photos of the defective products and communicate with our customers closely so as to determine whether we are responsible for the defects. If we are responsible for the defects, we will communicate with the third party factories so as to efficiently solve the problems. During the Track Record Period, we had not experienced any case referred to us and we had not experienced any substantial replacement or exchange of our products owing to any quality issue and the cost incurred on our after-sale services was insignificant which did not have any material and adverse impact on our financial condition and operating results.

Our sales and marketing team communicates with our customers regularly to collect their feedbacks on quality, preferences, improvements and market demands of our products. In addition, we hold business review meetings with our major customers annually to review our performance for the year. Our sales and marketing team will share this information collected with our product design and development team in order to improve our existing products and develop new products.

Delivery and logistics

Pursuant to the terms of the purchase orders, we are generally required to deliver our products to the designated ports specified by our customers under FOB trade terms. Title and risks of our products will be passed to our customers upon the products are on board of the vessel. Our customers will bear the transportation costs and the same is included as part of the total purchase price stipulated in the purchase orders. We normally have a production lead time of around 45 to 90 days. Generally, our shipping department together with the shipping forwarders engaged by our customers arrange for the shipment schedule, and we communicate with the third party factories to arrange inland transportation logistics in advance. The shipping forwarders engaged by our customers are responsible for the shipment afterwards. With respect to the delivery of our "SATU BROWN" products, we are generally responsible to deliver our products to the warehouses as designated by the third party e-commerce platform and the

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third party e-commerce platform will arrange the logistics of our online sales on their platform. Our Directors confirmed that we did not experience any material disruption or damage to our products in the delivery of our products during the Track Record Period.

SALES AND MARKETING

One of our marketing strategies is to continue to focus on international brand owners and licensee, chain supermarkets and renowned department stores, as our Directors believe that these customers will gain further market share as a result of economies of scale. We mainly sell our homeware products directly to customers who are international brand owners and licensee, chain supermarkets and renowned department stores. As at Latest Practicable Date, we had a sales and marketing team of five staff based in Hong Kong, led by Mr. Alex She, to interact with our customers with respect to sales orders and other sale-related services.

We have also improved our sales by exploring and building further business opportunities with our existing customers. In addition, our sales and marketing team regularly participates in trade fair such as Ambiente Fair Frankfurt, to explore new business opportunities with potential customers. Further, we also hold our trade fairs at our showroom in Shenzhen, the PRC every year during March to May and September to November. During our trade fairs, our customers will visit our showroom to meet and discuss with our product design and development team about the new fashion trend and market preferences, explore our new products and place bulk purchase orders.

We emphasise a customer-oriented approach in serving our customers. The sales and marketing team coordinates with customers, the third party factories and our product design and development team, so that information flow among the parties are smooth and efficient. We also seek feedbacks from our customers on our products in order to continuously improve our products and services and enhance customer satisfaction.

In order to keep abreast of and capture the latest market trends, our Directors and sales and marketing team regularly attend international trade fair and also visit targeted markets such as Europe to study the market trends including new product concepts, materials and colour tones, etc., as well as to meet customers to discuss and exchange ideas and agree on directions of future products. We may from time to time provide seminars to our customers relating to technical series/learning programme. Our Directors believe that we have established effective communication and cooperation channels with our key customers to share market intelligence in a timely manner.

Our Directors consider that we have established our reputation among our major customers as a trust-worthy, quality and competitive supplier who meets customers' requirements, place customers' interests as priority and works with them with integrity. We are able to enhance our collaboration with our existing industry leading customers and expand our business with new customers.

In August 2016, we developed and commenced promoting our own "SATU BROWN" products by setting up online shops on third party e-commerce platform, namely (www.amazon.com), on which we sell our products directly to end-user customers. Such online sales platform is operated by Independent Third Parties. We plan to launch our own e-commerce platform by the end of 2017 to market and sell our own "SATU BROWN" homeware products. As at the Latest Practicable Date, we have our e-commerce team of three staff members. The support services on third-party e-commerce platform were performed by South Technology Shenzhen since August 2016. During the Track Record Period, an intra-

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group service fee for such service provided by South Technology Shenzhen amounted to approximately HK\$0.5 million for the year ended 31 March 2017, with reference to the salaries and social insurance cost for the staff. On 1 April 2017, South Technology Shenzhen, Satu Brown HK and South Technology HK entered into an intra-group service agreement to govern the provision of support services on third-party e-commerce platform performed by South Technology Shenzhen. For the period from 1 August 2016 to 31 March 2017, our revenue recorded from our e-commerce sales is approximately HK\$3.7 million.

SEASONALITY AND PERIODICITY

According to the Industry Report, homeware retail market in Europe, which is our major target market, shows the characteristics of seasonality and selling seasons are around major holidays such as Christmas and in discount seasons mainly in the fourth quarter each year.

Our operations and sales fluctuate due to various factors. In particular, we often experience a lower level of sales in the first quarter due to the festive season in the PRC during which the third party factories generally suspend production for three to four weeks in the first quarter to celebrate Chinese New Year. Every March to May and September to November are the peak seasons for our homeware product sales, as we generally hold our trade fairs at our showroom in Shenzhen, the PRC every year during March to May and September to November. During our trade fairs, our customers will visit our showroom to explore our new products and place bulk purchase orders during March to May for the purchases of the second half of the year and during September to November for the purchases of the first half of the next year. As such, our sales in July to September generally reach a higher level. For details of our quarterly revenue during the Track Record Period, please refer to paragraph headed “Financial Information — Seasonality” of this prospectus.

THIRD PARTY FACTORIES

During the Track Record Period, we have engaged third party factories for the entire production of our products, all of which are located in the PRC. According to the Industry Report, it is common for the homeware suppliers to partner with third party factories to manufacture products based on their designs and fulfilling their orders. As discussed in the paragraph headed “Competitive Strengths — We adopt a streamlined business model which allows us to manage our costs effectively” above in this section, the production arrangement allows us to save capital expenditure on purchasing and maintaining production machinery, optimise production flow and diversify our product portfolio. For each of the two years ended 31 March 2017, our five largest third party factories accounted for approximately 96.6% and 92.1% of our total costs of homeware products respectively; whereas, our largest third party factory accounted for approximately 61.4% and 71.4% of our total costs of homeware products respectively. We have established business relationships with the third party factories ranging from approximately one to over six years. To the best knowledge of the Directors, our Group is not the sole customer of the five largest third party factories; however, our Group was a major customer of two of these third party factories (namely 潮州市潮安區正韻陶瓷實業有限公司 and 蓬江區潤豐金屬製品加工場, background information of which is disclosed in the tables below) during the Track Record Period. For each of the two years ended 31 March 2017, purchase from our Group accounted for approximately 85.0% and 80.0% of the total revenue of 潮州市潮安區正韻陶瓷實業有限公司, respectively, and approximately 82.0% and 7.0% of the total revenue of 蓬江區潤豐金屬製品加工場, respectively, in the corresponding periods. Our sales and marketing team closely communicates with the third party factories to ensure they

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understand our customers' specifications and requirements of the products. Our product design and development team will from time to time provide technical advice on the materials and how to transform the design into the physical products. To the best knowledge of our Directors, all the third party factories during the Track Record Period and up to the Latest Practicable Date were Independent Third Parties.

The tables below set out the details of the five largest third party factories during the Track Record Period:

For the year ended 31 March 2016

Third party factory	Background and business nature	Year of establishment and location	Registered capital RMB'000	Number of employees (note 1)	Credit term	Payment method	Major products purchased	Costs of homeware products for the year HK\$'000	% of our total costs of homeware products	Business with the third party factory commenced since
潮州市潮安區正韻陶瓷實業有限公司	Private limited company, a ceramic factory which is principally engaged in manufacture and sales of ceramic products and other products	2014; Chaozhou City, Guangdong Province, the PRC	1,080	135	30 days	Telegraphic transfer	Ceramic bathroom accessories and home decorations	33,469	61.4	2014
蓬江區潤豐金屬製品加工場	Sole proprietorship, a metal factory which is principally engaged in processing metal products	2010; Jiangmen City, Guangdong Province, the PRC	—(note 2)	37	30 days	Telegraphic transfer	Metal parts, home decorations and bathroom accessories	14,359	26.3	2010
惠州市惠陽區新圩佳豐禮品廠	Sole proprietorship, a resin factory which is principally engaged in processing and sales of resin crafts	2012; Huizhou City, Guangdong Province, the PRC	—(note 2)	45	30–45 days	Telegraphic transfer	Resin bathroom accessories	4,162	7.6	2014
東莞市鴻寶家居用品有限公司	Private limited company, a wood and resin factory which is principally engaged in manufacture, sales and processing homeware products, crafts, etc.	2013; Dongguan City, Guangdong Province, the PRC	30	40	30 days	Telegraphic transfer	Wood or resin bathroom accessories and home decorations	384	0.7	2013
東莞市黃江新宜東玻璃製品廠	Sole proprietorship, a glass factory which is principally engaged in manufacture and sales of glass products	2008; Dongguan City, Guangdong Province, the PRC	—(note 2)	45	14 days	Telegraphic transfer	Glass bathroom accessories	336	0.6	2014
							Total	52,710	96.6	

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For the year ended 31 March 2017

Third party factory	Background and business nature	Year of establishment and location	Registered capital RMB'000	Number of employees (note 1)	Credit term	Payment method	Major products purchased	Costs of homeware products for the year HK\$'000	% of our total costs of homeware products	Business with the third party factory commenced since
潮州市潮安區正韻陶瓷實業有限公司	Private limited company, a ceramic factory which is principally engaged in manufacture and sales of ceramic products and other products	2014; Chaozhou City, Guangdong Province, the PRC	1,080	135	30 days	Telegraphic transfer	Ceramic bathroom accessories and home decorations	25,145	71.4	2014
惠州市錄業工藝有限公司	Private limited company, a wood and resin factory which is principally engaged in processing and sales of crafts	2008; Huizhou City, Guangdong Province, the PRC	500	52	30 days	Telegraphic transfer	Wood or resin bathroom accessories and home decorations	3,657	10.4	2015
惠州市惠陽區新圩佳豐禮品廠	Sole proprietorship, a resin factory which is principally engaged in processing and sales of resin crafts	2012; Huizhou City, Guangdong Province, the PRC	— ^(note 2)	45	30-45 days	Telegraphic transfer	Resin bathroom accessories	1,684	4.8	2014
潮州市潮安區全德陶瓷有限公司	Private limited company, a ceramic factory which is principally engaged in manufacture and sales of ceramics	2016; Chaozhou City, Guangdong Province, the PRC	500	36	21 days	Telegraphic transfer	Ceramic bathroom accessories and home decorations	1,097	3.1	2016
浙江晶諾光電科技有限公司	Private limited company, a electronic factory which is principally engaged in research, development, manufacture and sales of electronic related products	2013; Zhuji City, Zhejiang Province, the PRC	10,000	31	Payment upon delivery	Telegraphic transfer	Home decorations and others	841	2.4	2016
Total								<u>32,424</u>	<u>92.1</u>	

Note 1: The numbers of employees were based on the latest staff lists or latest factory audit reports provided by the third party factories in 2017.

Note 2: As advised by the PRC Legal Advisers, according to the applicable PRC laws, registered capital is only applicable to enterprise legal entity. The sole proprietorship is not an enterprise legal entity and has no registered capital.

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We maintain an internal approved list of third party factories and we generally select the third party factories from this list for production. When we select new third party factories into our approved list, we consider several factors, including factory scale, factory facilities and equipment quality, standard management skills, financial stability, production capacity and location. Our quality assurance team and our management will visit these new factories to evaluate whether they can satisfy our requirements. Our customers will conduct random audits on the third party factories in certain areas including technical skills, ethics, safety, health and labour, and issue certificates to those who pass such audits. Only those who meet our stringent requirements and pass our customers' audits are qualified to be approved third party factories. To the best knowledge of our Directors, some of our major customers have their own audited factories list. In this situation, we will select the third party factories on both our internal approved list and our customers' audited factories list.

In addition, to ensure the third party factories are in compliance with relevant laws and regulations, our Group has established comprehensive internal control procedures including obtaining certificates and qualification from the third party factories that are material to conduct their businesses. To the best knowledge of our Directors, there is no material non-compliance by the third party factories during the Track Record Period up to the Latest Practicable Date.

To better control our cost of purchases and quality of products, we generally get quotation from two to three third party factories. New third party factories may require us to pay a deposit before production. During the Track Record Period, the purchase orders to the third party factories were on normal commercial terms and were generally settled in USD by bank transfer with a credit period of 0 to 30 days upon the delivery of goods and the receipt of all shipping documents and invoices from the third party factories. In order to minimise our foreign currency risks and fix our gross profit margin, our Group generally settle payments with third party factories in USD which is also the currency paid by our customers to us. In light of the competitive market environment of homeware manufacturing industry, in order to capture more businesses, third party factories are willing to accept USD as settlement currency notwithstanding they are located in the PRC. Further, according to the Industry Report, it is common in the industry for third party factories located in the PRC, which manufacture and export homeware products, to settle their transactions with their clients in USD. We have not entered into long term contracts with any of the third party factories.

We normally enter into standard framework cooperation agreements with our major third party factories. These agreements set out the general rights and obligations of the parties in the event of cooperation including duration, quality control requirements, product liabilities, logistics and confidentiality, but does not specify purchase details which would be included in the purchase orders. These standard framework cooperation agreements are for a duration of two years. According to the standard framework cooperation agreements, the third party factories shall secure the legality of the source of raw materials and manufacture the products with quality in accordance with requirements under the relevant laws and regulations, the framework cooperation agreements and relevant purchase orders. They shall conduct quality check themselves and send the relevant quality check report to us before we conduct the quality inspection. The production shall satisfy our customers' and our own quality control requirements. Our customers and ourselves may from time to time conduct audit and inspection on the third party factories' production procedures. The third party factories shall inform us to conduct interim inspection seven days before the mass assembling and final inspection seven days before packaging. The third party factories shall provide photos of the products, colour-printed packages and exterior of the cartons at the time when inspection takes place. Only products that passed our quality

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inspection with our written inspection report can be delivered to our customers. The third party factories are also liable for the defective products despite passing our quality inspection. They are responsible to arrange for the delivery of the products to the designated destinations, the costs of which will be borne by us. We have also entered into separate confidentiality agreements with our major third party factories to protect the intellectual property rights of ourselves and our customers.

According to the advice given by our PRC Legal Advisers, the signed framework cooperation agreements entered into with the third party factories or their holding companies in the PRC are legal and enforceable and legally binding to the parties thereto. During the Track Record Period and up to the Latest Practicable Date, there was no material breach of the standard framework cooperation agreements by the third party factories and we did not experience any material disputes with our third party factories. With these stable business relationships with the third party factories and our past experiences of transactions with them, we do not foresee any imminent risk of their failure to provide the production services to our Group. In addition, given that there are numerous factories engaged in the production of homeware products, our Directors are of the view that we will not encounter any difficulty in engaging a substitute third party factory on similar terms if we fail to secure these third party factories to provide the production services to us.

The detailed terms for the purchase of products by us from the third party factories are set out in the purchase order we place each time. The purchase orders include quality requirements and specifications of the products, unit prices, payment terms and delivery details and requirements.

We conduct stringent quality and production control over the third party factories, which is carried out by our quality assurance team. Our quality and production control over the third party factories cover the control over the quality of the raw materials used by the third party factories, the production procedures of the third party factories and the quality of the finished products. For details of our quality control and assurance, please refer to the paragraph headed “Quality Control and Assurance” below in this section.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claim or complaint from our customers in respect of the quality of the finished products produced by the third party factories.

Our Directors believe that such arrangement provided us with flexibility in choosing third party factories and optimising production by making the best use of the technology and production competency of each third party factory, saving us from the costs and risks of managing the daily operation of production and the difficulty in recruiting production staff to handle the labour intensive production, and allowing us to devote more efforts to product design and development. In addition, we are not required to make up-front significant capital investments in production facilities. As such, we do not have any plan to change our current model.

As confirmed by our Directors, none of our Directors, their respective close associates or any Shareholder who owned more than 5% of the issued share capital of our Company, had any interests in any of the third party factories during the Track Record Period.

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To the best knowledge of our Directors, none of the third party factories engaged by the Group during the Track Record Period or their beneficial owners has any past or present relationship with our Company and its subsidiaries, their shareholders, directors, senior management or any of their associates other than their business relationship with our Group.

CONSUMABLE MATERIAL SUPPLIERS

As the third party factories are familiar with the characteristics of the raw materials and have their own cooperated material suppliers, the third party factories are responsible to procure raw materials directly from the material suppliers for the production of our products and we do not procure such raw materials. The key raw materials for the production of our products include ceramics, resins, stainless steel, plastic and bamboo, all of which are sourced from the PRC. The prices of raw materials will be reflected in the price quotations to our customers. As a result, the price increase in raw materials will be passed onto the customers. We intend to continue to adopt this practice. During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we did not encounter any major disruption to our business due to the difficulties in sourcing raw materials by the third party factories.

Our consumable material suppliers mainly supply accessories and packaging materials. For each of the two years ended 31 March 2017, the cost of consumable materials amounted to approximately HK\$2.4 million and HK\$1.5 million, respectively.

We generally place purchase orders to our consumable material suppliers on normal commercial terms and settle payment by cash with a credit period of approximately 0 to 30 days.

As confirmed by our Directors, none of our Directors, their respective close associates or any Shareholder who owned more than 5% of the issued share capital of our Company, had any interests in any of the consumable material suppliers during the Track Record Period.

INVENTORY

As we adopt a made-to-order strategy, we only place corresponding purchase orders with the third party factories after we receive purchase orders from our customers. During the Track Record Period, it was our policy not to maintain any inventory, except for our e-commerce business.

We maintain inventory for our e-commerce business only which are ready to be sold to our customers through third party e-commerce platform. The average inventory days for each of the two years ended 31 March 2017 were nil and 146 days, respectively. We will 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, taking into account the lead time between order and actual delivery. Specific provisions are made after considering their physical condition, age, movement, current selling price, residual value and etc. During the two years ended 31 March 2017, we have neither written off nor made any provision on any inventory due to damage or obsolescence as we have not experienced any significant change or loss in respect of our inventories throughout the said period. For further details of our inventories, please refer to the paragraph headed “Financial Information — Analysis of various items from the consolidated statement of financial position — Inventories” in this prospectus.

QUALITY CONTROL AND ASSURANCE

Our Directors believe that the quality of our products has not only been a key to our success, but is also crucial to our prospects. Delivering quality products to customers is our corporate goal and one of our competitive strengths. We select new third party factories based on several factors and only those who meet our stringent requirements and pass our customers' audits are qualified to be approved third party factories. For further details of selection of third party factories, please refer to the paragraph headed "Third Party Factories" above in this section. We follow internationally recognised Acceptable Quality Limit standard and have designed and implemented stringent quality control procedures to ensure the products produced by the third party factories conform to our and our customers' quality standards.

The quality control of the third party factories are carried out by our quality assurance team comprising three staff members as at the Latest Practicable Date. Our quality and production control over the third party factories cover the control over the quality of the raw materials used by the third party factories, the production procedures of the third party factories and the quality of the finished products.

In respect of the raw materials, the third party factories conduct quality check on the raw materials, and as required in the standard framework cooperation agreements, they should also secure the legality of the source of raw materials.

Before mass production and as required by our customers, we may send samples of our products to conduct lab-tests to ensure their quality are up to our and our customers' quality standards and ensure our products comply with the food safety requirements (if applicable).

During mass production, our quality assurance team from time to time visits the third party factories and closely contacts them to monitor the progress of production. For newly developed products, our quality assurance team will conduct in-line inspection in the third party factories. For repeated products, we require the third party factories provide semi-finished product samples or photos for our review.

Before our products are shipped to our customers, some customers may engage third party inspectors to conduct inspection to ensure that their standards and requirements are met. For newly developed products and newly engaged third party factories, we will conduct onsite inspection of the finished products before the third party inspectors conduct their inspection. Otherwise, we require the third party factories to provide us with inspection reports for our review before the third party inspection. Only those products with quality certificates issued by the third party inspectors will be shipped to our customers.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant quality defects or product claims or refunds or returns from our customers or remedies in respect of our products which materially and adversely affected our financial condition. Our Directors confirm that we comply with the product safety standards of the jurisdictions in which we operate. Our Directors believe that our commitment to high quality helps strengthen the recognition and trust from our customers, which subsequently translates to increased orders with us.

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COMPETITION

According to the Industry Report, the homeware products export market in the PRC is competitive and fragmented with a diversified spectrum of market players and mainly divided into three categories, namely homeware trading company, specialty homeware company and comprehensive homeware company. Our Company belongs to comprehensive homeware company which number of this type of company in the market is relatively small and usually serve clients with higher design and quality requirements and supply products at higher selling prices. Our Group's major proportion of revenue was derived from sales to European market. Customer demand for the Group's homeware products going forward will be primarily affected by the demand and performance of the European market. Our major targeted market in which we sell our products is forecasted to maintain a stable growth, with the expected import value of homeware products in Europe reaching US\$10.1 billion in 2021 with a CAGR of 3.7% from 2017 to 2021 alone with the growing homeware retail market in Europe. Further, despite the expected drop in 2017 per capita household expenditure, the market size of homeware products retail market in Europe is expected to increase at a moderate rate to USD64.5 billion in 2021 as a result of economic recovery and increase in per capita household expenditure during 2018 to 2021.

There are multiple entry barriers for new market players to establish business presence in the PRC homeware products export market. According to the Industry Report, these entry barriers include the customer barrier, design and production capability barrier and product management barrier. The customers in the PRC's homeware products export market are mainly business customers like homeware companies, chain supermarkets and department stores, who usually have specific requirements on quality and design of the homeware products and strict process in selecting qualified suppliers. Therefore, it takes time and effort to establish a solid customer base in the export market. As the customers' preference towards homeware products changes constantly and varies substantially in different foreign markets, strong design capacities are required to meet the needs of overseas customers. Further, it is also crucial to establish a high-quality and highly efficient product management system to manage the process of product development, procurement and sales. Please refer to the section headed "Industry Overview" in this prospectus for further information on the competitive landscape of the homeware products industry.

We believe that our competitiveness lies in our well-established relationship with our customers which are international brand owners and licensee, chain supermarkets and renowned department stores, our strong and established product design and development capabilities, our streamlined business model, our stringent quality assurance system with sufficient control of third party factories and our experienced and dedicated management team. Our Directors foresee our competitive strengths will solidify and further enhance our business with the implementation to our strategies with the additional funding from the Share Offer. Please refer to the paragraphs headed "Competitive Strengths" and "Business Strategies" above in this section for further information. Coupling with the Group's competitiveness and the potential increase in demand of homeware products in the European market, it is anticipated that there will be sufficient customer demand for the Group's homeware products going forward.

INSURANCE

According to the Industry Report, there are no mandatory requirements in the PRC homeware export market to maintain specific insurance. Our Directors consider our insurance coverage to be adequate and customary for businesses of our size and type and in line with the standard commercial

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practice in the jurisdictions where we have operations. Our insurance coverage includes product liabilities, property and car insurance. During the Track Record Period, we did not receive any material claim from customers relating to any liability arising from or relating to our products.

HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS

We place great emphasis on occupational health and safety. During the Track Record Period and up to the Latest Practicable Date, as confirmed by our Directors, none of our employees was involved in any major workplace accident in the course of their employment, and we were not subject to any disciplinary actions with respect to labour protection issues, nor did we experience any claims for personal or property damage that, individually or in aggregate, had a material effect on our financial condition and results of operations. During the Track Record Period and up to the Latest Practicable Date, we complied with all applicable labour and safety laws and regulations in all material respects.

We are committed to operating in compliance with applicable environmental laws and regulations. During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we were not subject to any material penalty or fines imposed by the relevant environmental protection authorities and we did not incur any extra expenses on compliance with applicable environmental protection laws and regulations.

EMPLOYEES

The geographical and functional distribution of our full-time employees as at the Latest Practicable Date is as follows:

Function	Hong Kong office	PRC office
Management	4	—
Product design and development	—	4
Sales and marketing	5	—
E-commerce	1	2
Quality assurance	1	2
Shipping	2	—
Accounting and administration	<u>2</u>	<u>2</u>
Total	<u><u>15</u></u>	<u><u>10</u></u>

We believe our working environment and employee development opportunities have contributed to good employee relations and employee retention. We recruit our employees based on a number of factors such as their work experience, educational background and our vacancy needs. During the Track Record Period, we typically hired through online recruitment networks.

We enter into individual employment agreements with our employees, with terms covering, among other things, positions, salaries, working hours, annual leave and other benefits. Our employees' remuneration, including directors remuneration depends on their particular functions and their

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performance. We conduct employee performance review annually to evaluate and adjust our employees' remuneration. For each of the two years ended 31 March 2017, our total staff costs amounted to approximately HK\$4.2 million and HK\$4.7 million, respectively.

We from time to time provide internal training to our employees for better understanding of our business and operation, and also sponsor our employees to attend training programs and international trade affairs to allow our employees to gain knowledge of the market and our industry. We believe that this will also increase the overall competitiveness of our workforce. We strive to ensure that our employees are equipped with the required skills and safety knowledge when performing their duties.

We recognise the importance of having good relationship with our employees. Our Directors confirm that we did not experience any significant disputes with our employees or disruption to our operations due to labour disputes, nor did we experience any difficulties in the recruitment and retention of personnel during the Track Record Period and up to the Latest Practicable Date. Our employees have not formed any union or association.

For our Hong Kong operations, we have participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). In the PRC, we have participated in a number of social security funds pursuant to applicable PRC laws and regulations, including funds for basic endowment insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and the housing provident fund. For more information of the PRC laws and regulations in relation to social security funds, please refer to the paragraph headed "Regulatory Overview — Regulations in the PRC" in this prospectus.

INTELLECTUAL PROPERTY

We recognise the importance of protecting and enforcing our intellectual property rights. We have entered into the confidentiality agreements with our major third party factories so as to protect our and our customers' intellectual property rights during the production. Further, we strive to maintain registration of intellectual property rights that are material to our business operation under appropriate categories and in appropriate jurisdictions.

As for our customers' designs, our customers retained the intellectual property rights of the designs. As for our Group's designs, the Group generally retains the intellectual property rights of the designs. The Group has not registered the intellectual property rights of any of its own designs as the Directors consider that given our Group produces high-volume designs and the trend of homeware products is seasonal and fast-changing, it is not cost effective to register the designs. In certain transactions and especially with some of the Group's key customers, the parties to the transaction would negotiate and agree, as part of the terms and conditions to the transactions, to vest the intellectual property rights of the designs designed by the Group in such customers.

As at the Latest Practicable Date, we had one registered trademark in each of E.U., the U.S. and the U.K. which are material to our business. We are in the process of applying for registration of one trademark in the PRC and two trademarks in Hong Kong.

To the best of our knowledge, information and belief, we were not aware of any material infringement of our intellectual property rights as at the Latest Practicable Date and we believe that we have taken reasonable measures to prevent infringement of our own intellectual property rights.

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To the best of our knowledge, information and belief, we are not aware of any pending or threatened claims against our Group relating to the infringement of intellectual property rights owned by third parties. Details of our registered intellectual property rights which we consider to be or may be material to our business are set out in the paragraph headed “Statutory and general information — B. Information about the business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

PROPERTIES

As at the Latest Practicable Date, our Group did not own any property and leased two properties used by our Group as office and showroom purposes. One of our leased properties is leased from Pansino Shenzhen, a company indirectly owned as to 95.0% by Mr. She, who is an executive Director, a Controlling Shareholder, chairman of the Board and chief executive officer of the Group and will constitute continuing connected transactions after the Listing. For the details of these continuing connected transactions, please refer to the section headed “Continuing Connected Transactions” in this prospectus. As at the Latest Practicable Date, we leased the following properties:

The PRC

Location	Gross floor area	Lessor	Lease terms	Usage
Units 01 to 11, 23/F, Oriental Plaza, Luohu, Shenzhen, the PRC	1,060 sq.m.	Pansino Shenzhen	1 August 2017– 31 March 2020	Office and showroom

Hong Kong

Location	Gross floor area	Lessor	Lease terms	Usage
Unit 2504, 25/F., Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong	2,737 sq.ft.	Nanyang Cotton Mill Limited	1 January 2017– 31 December 2019	Office

For each of the two years ended 31 March 2017, our expenses for property rental and rate and building management fees were approximately HK\$1.4 million and HK\$1.5 million, respectively. During the Track Record Period, we have not experienced any difficulty in renewing our leases.

As at the Latest Practicable Date, the lease agreement of our Shenzhen office and showroom entered into with Pansino Shenzhen had not been registered with relevant PRC government authorities. The lease agreement is in the process of registration with the local housing authority. As at the Latest Practicable Date, our Group had been communicating with local authority actively on this issue. If we fail to complete the lease registration with local housing authority in accordance with Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), the local authorities may order us for registration within a prescribed time limit, failing which we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease. However, as of the Latest Practicable Date, we had not been fined by the relevant PRC authorities with respect to this non-registered lease nor received

BUSINESS

order from local authority for lease registration. As advised by the PRC Legal Advisers, the lease agreement we entered into with Pansino Shenzhen is valid and enforceable and legally binding to the parties thereto. In addition, Mr. She, as our Controlling Shareholder, agreed to indemnify our Group against any liabilities arising out of the non-registration of the relevant lease agreement. Accordingly, our Directors are of the view that our business operations would not be materially and adversely affected by such non-registration.

Our Directors confirmed that all of our current leases were negotiated on an arm's length basis with reference to the prevailing market rates and/or other factors (including location of the property). As at the Latest Practicable Date, we had complied with all the applicable laws in respect of our leased properties in all material respects.

LEGAL COMPLIANCE

Licences and permits

We have obtained and renewed all the necessary licences and permits from appropriate regulatory authorities, all of which are in full force and effect, and have complied with all the applicable laws and regulations in relation to our business and operations in all material respects in the PRC and Hong Kong. For details of the relevant laws and regulations, please refer to the section headed "Regulatory Overview" in this prospectus. Since the establishment of each of the members of our Group and up to the Latest Practicable Date, we had not experienced any failure in applying for the renewal of our respective operation licences and permits.

Legal proceedings

We may from time to time be subject to various legal or administrative proceedings arising in the ordinary course of business such as proceedings in respect of disputes with suppliers or customers, labour disputes or infringement of intellectual property rights. During the Track Record Period, we were not involved in any actual or threatened material litigation, arbitration or claim. As at the Latest Practicable Date, none of our Company, any of our subsidiaries or any of our Directors was a party to any material litigation, arbitration or claim that could have a material adverse effect on our financial condition or results of operations.

Non-compliance

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had fully complied with all applicable laws and regulations in the PRC and Hong Kong in all material aspects. As advised by the PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, no non-compliance in relation to all applicable laws and regulations in the PRC in all material aspects are noted. As advised by RSM Tax Advisory (Hong Kong) Limited, our tax advisers, our intra-group arrangements were in compliance with the relevant rules and regulations governing transfer pricing in the PRC and Hong Kong during the Track Record Period and up to the Latest Practicable Date.

INTERNAL CONTROL AND RISK MANAGEMENT

Corporate Governance

Our Directors and Risk Management Committee are responsible for the formulation of and overseeing the implementation of the internal control measures and the effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

In accordance with the applicable laws and regulations, we have established procedures for developing and maintaining internal control systems. Such systems cover corporate governance, operations, management, legal matters, finance and auditing, as appropriate for our needs. We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness.

In preparation for the Listing and to ensure that our internal control procedures are sufficient for management of external and internal risks, we engaged an independent internal control consulting firm (the “**Internal Control Consultant**”) to perform an overall assessment on certain of our procedures, systems and internal controls. The Internal Control Consultant has performed follow-up assessment between June and September 2017. During the internal control review, the Internal Control Consultant has provided some recommendations for our management’s consideration to enhance our internal control system. Our Company had implemented such recommendations as at Latest Practicable Date.

We have adopted the following internal control measures to enhance our corporate governance:

- (1) our Board includes three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. The independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge;
- (2) we have established a Risk Management Committee under the management of our Company, comprising Ms. Chan, Mr. Alex She and Ms. Fan Pui Shan. The primary duties of our risk management committee are to deliberate risk management related policies and procedures, review the effectiveness and adequacy of risk management activities and to report such findings to the Board;
- (3) we have strengthened our auditing system to ensure the appropriate functioning of the risk management and operation oversight systems. We have established the audit committee which comprises three independent non-executive Directors to review and monitor the effectiveness of our financial controls, internal control and risk management systems;
- (4) our Directors have attended training sessions in June 2017 conducted by our Hong Kong legal advisers on, among other things, the obligation, on-going corporate governance requirements and the duties of directors of a company listed on the Stock Exchange; and
- (5) we have appointed Sunfund Capital Limited as our compliance adviser to advise us on compliance matters in relation to the GEM Listing Rules.

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Having considered the above enhanced internal control measures, our Directors are of the view that the internal control systems are adequate and sufficient in the circumstances.

Internal Control Procedures in relation to sales to Russia and Tunisia

As we intend to continue to sell our products to customers from Russia and Tunisia after Listing, we have adopted enhanced internal control and risk management measures to help us continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders from sanctions risks. For the details of these internal control and risk management measures, please refer to the paragraph headed “Our Customers — Business activities with customers from Russia and Tunisia — Our internal control procedures” above in this section.

Financial Risk Management

Our Group’s activities expose it to a variety of financial risks: currency risk, interest rate risk, credit risk and liquidity risk. Our Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group’s financial performance. For details of our financial risk management measures, please refer to the paragraph headed “Financial Information — Capital management and financial risk management” in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the paragraph headed “Business — Business strategies” in this prospectus for a detailed description of our future plans.

REASONS FOR THE LISTING

Our Directors believe that the Listing will enhance our corporate profile and the net proceeds from the Share Offer will strengthen our financial position and will enable us to implement our business plans set out in the paragraph headed “Implementation plans” in this section below.

Furthermore, a public listing status on the Stock Exchange will give us access to the capital market for corporate finance exercise which will assist us in our future business development, enhance our corporate profile and strengthen our competitiveness.

Our Group will endeavour to achieve its business objectives and adopt the business strategies as set out in the section headed “Business — Business strategies” in this prospectus.

USE OF PROCEEDS

The estimated net proceeds of the Share Offer which we will receive, assuming an Offer Price is fixed at low-end, mid-point and high-end of the Offer Price range stated in this prospectus with and without exercising the Offer Size Adjustment Option after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Share Offer are set out in the table below.

	Estimated net proceeds of the Share Offer		
	Offer Price of HK\$0.20 per Offer Share (low-end of Offer Price)	Offer Price of HK\$0.22 per Offer Share (mid-point of Offer Price)	Offer Price of HK\$0.24 per Offer Share (high-end of Offer Price)
Offer Size Adjustment Option exercised in full	HK\$34.4 million	HK\$39.9 million	HK\$45.3 million
Offer Size Adjustment Option not exercised	HK\$27.3 million	HK\$32.0 million	HK\$36.8 million

We intend to use the net proceeds of the Share Offer for the following purposes:

- approximately HK\$13.5 million (representing approximately 42.2% of the net proceeds) for broadening the existing customer base, increasing our market share in the existing target markets and expanding into new markets, among which approximately HK\$3.6 million for refurbishing the existing office and showroom in the PRC and approximately HK\$9.8 million for establishing one liaison office in each of Europe and the US. Our Directors considered that the tax implication in relation to the establishment of liaison offices in Europe and the US is limited on the basis that the liaison offices will be set up in the form of separate legal entities and there will be no income generated;

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$6.4 million (representing approximately 20.0% of the net proceeds) for enhancing brand recognition and awareness and promoting our corporate reputation, among which approximately HK\$2.8 million for marketing including advertising on different media as well as participating in trade shows and marketing events, approximately HK\$2.2 million for setting up our own e-commerce platform and approximately HK\$1.1 million for enhancing capacities of our sales and marketing team;
- approximately HK\$4.8 million (representing approximately 15.0% of the net proceed) for enhancing design and development capabilities, among which approximately HK\$2.6 million for upgrading the existing design software and purchasing new design software as well as acquiring advance design hardware, approximately HK\$1.4 million for expanding design and development team and approximately HK\$0.8 million for providing trainings as well as sponsorship to designers;
- approximately HK\$4.8 million (representing approximately 15.0% of the net proceeds) for enhancing our quality assurance capabilities, among which approximately HK\$3.6 million for establishing a quality control laboratory in the premise of our largest third party factory during the Track Record Period by leasing certain area at this factory, to facilitate quality control and product testing processes. The total expected capital expenditure for setting up the quality control laboratory is approximately HK\$3.0 million (excluding rental payment of approximately HK\$0.6 million) which will be fully covered by the net proceeds. If the actual capital expenditure for setting up such laboratory exceeds the net proceeds of approximately HK\$3.6 million, we will use our internal generated funding. The establishment of quality control laboratory also involves laboratory set-up costs and purchasing equipment for the purpose of carrying out quality control testings, including their metal elements, colour tones, durability and stability. Approximately HK\$0.8 million for expanding our quality assurance team and approximately HK\$0.4 million for providing trainings to the quality control staff; and
- the remaining amount of approximately HK\$2.5 million (representing approximately 7.8% of the net proceeds) will be used to provide funding for our working capital and other general corporate purposes.

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. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

IMPLEMENTATION PLANS

The implementation plans for each of the six-month periods until 30 September 2019 for carrying out our business strategies are set out below. The following implementation plans are formulated on the bases and assumptions set out in the paragraph headed “Bases and key assumptions” below in this section and are subject to uncertainties, variables and unexpected factors. There is no assurance that the implementation plans will materialise in accordance with the timetable below or that our business objectives will be accomplished at all.

FUTURE PLANS AND USE OF PROCEEDS

The sources of funding for the expansion plans as indicated above will be funded solely by the proceeds of the Share Offer. In the event there are insufficient proceeds generated from the Share Offer for the purpose of the proposed expansion plan, our Group intends to implement the proposed expansion plan by utilising our Group's internal generated funding, subject to adjustment being made to the timeline of such implementation taking into account our Group's internal generated funding.

For the period from the Latest Practicable Date to 31 March 2018

Business strategies	Implementation activities	Source of funding
Enhance design and development capabilities	Conduct trainings for and sponsor designers to attend trade fairs and fashion shows to enhance their understanding of latest fashion trend and industry know-how	HK\$0.3 million
	Recruit one designer and one product engineer to strengthen our Group's design and development capabilities in the PRC office	
Enhance brand recognition and awareness and promote our corporate reputation	Participate Ambiente Fair Frankfurt	HK\$1.9 million
	Advertise on different media and participate in various marketing and public relations events	
	Set up our own e-commerce system for our "SATU BROWN" products and corresponding additions of office equipment as well as our e-commerce team by recruiting one e-commerce staff	
	Maintain our corporate website	
	Expand our sales and marketing capabilities by recruiting one sales and marketing executive	
Enhance our quality assurance capabilities	Expand our quality assurance team by recruiting one quality control technician	HK\$0.2 million
	Conduct trainings for quality control staff in terms of latest product quality requirement and regulations	
General working capital		HK\$0.6 million

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 30 September 2018

Business strategies	Implementation activities	Source of funding
Broaden the existing customer base, increase our market share in the existing target markets and expand into new markets	Establish one liaison office in each of Europe and the US	HK\$8.0 million
	Acquire office equipment and prepare for display products for the liaison offices	
	Recruit one project manager, one accounting staff and one administrative staff for the Europe liaison office	
	Recruit one project manager and one administrative staff for the US liaison office	
Enhance design and development capabilities	Conduct trainings for and sponsor designers to attend trade fairs and fashion shows to enhance their understanding of latest fashion trend and industry know-how	HK\$3.2 million
	Upgrade the existing design software and purchase new design software such as software for graphic design and three-dimensional design and acquire advance design hardware including a three-dimensional printer and three-dimensional modeling computers as well as molding equipment for product development	
	Retain the designer and the product engineer	
	Recruit one designer and one product engineer to further strengthen our Group's design and development capabilities in the PRC office	

FUTURE PLANS AND USE OF PROCEEDS		
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Business strategies	Implementation activities	Source of funding
Enhance brand recognition and awareness and promote our corporate reputation	Participate in trade shows in Chicago and Milan	HK\$1.7 million
	Advertise on different media and participate in various marketing and public relations events	
	Retain the sales and marketing executive and e-commerce staff	
	Recruit two sales and marketing executives and two e-commerce staff to further expand our sales and marketing capabilities and our e-commerce team	
	Enhance our corporate website	
Enhance our quality assurance capabilities	Retain the quality control technician	HK\$0.3 million
	Recruit one quality control technician to expand our quality assurance team	
	Conduct trainings for quality control staff in terms of latest product quality requirement and regulations	
General working capital		HK\$0.6 million

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 31 March 2019

Business strategies	Implementation activities	Source of funding
Broaden the existing customer base, increase our market share in the existing target markets and expand into new markets	Refurbish the existing office and showroom in the PRC	HK\$4.5 million
	Acquire office equipment and prepare for display products for the office and showroom in the PRC	
	Recruit one administrative staff to support the operation of the office and showroom in the PRC	
	Retain one project manager, one accounting staff and one administrative staff for the Europe liaison office	
Enhance design and development capabilities	Retain one project manager and one administrative staff for the US liaison office	HK\$0.7 million
	Conduct trainings for and sponsor designers to attend trade fairs and fashion shows to enhance their understanding of latest fashion trend and industry know-how	
Enhance brand recognition and awareness and promote our corporate reputation	Retain two designers and two product engineers	HK\$1.2 million
	Participate in Ambiente Fair Frankfurt	
	Advertise on different media and participate in various marketing and public relations events	
	Acquire a motor vehicle for sales and marketing purpose	
	Retain the three sales and marketing executives	
	Retain the three e-commerce staff	

FUTURE PLANS AND USE OF PROCEEDS

Business strategies	Implementation activities	Source of funding
Enhance our quality assurance capabilities	<p>Establish a quality control laboratory at the factory of our largest third party factory with product testing facility for testing metal elements, colour tones, durability and stability of our products</p> <p>Purchase product testing equipment for testing weight, strength, colour tones and thickness of our products</p> <p>Conduct trainings for quality control staff in terms of latest product quality requirement and regulations</p> <p>Retain the two quality control technicians</p>	HK\$4.0 million
General working capital		HK\$0.6 million

For the six months ending 30 September 2019

Business strategies	Implementation activities	Source of funding
Broaden the existing customer base, increase our market share in the existing target markets and expand into new markets	<p>Retain one administrative staff to support the operation of the office and showroom in the PRC</p> <p>Retain one project manager, one accounting staff and one administrative staff for the Europe liaison office</p> <p>Retain one project manager and one administrative staff for the US liaison office</p>	HK\$1.0 million
Enhance design and development capabilities	<p>Conduct trainings for and sponsor designers to attend trade fairs and fashion shows to enhance their understanding of latest fashion trend and industry know-how</p> <p>Retain two designers and two product engineers</p>	HK\$0.6 million

FUTURE PLANS AND USE OF PROCEEDS

Business strategies	Implementation activities	Source of funding
Enhance brand recognition and awareness and promote our corporate reputation	Participate in trade shows in Chicago and Milan Advertise on different media and participate in various marketing and public relations events Retain the three sales and marketing executives Retain the three e-commerce staff	HK\$1.6 million
Enhance our quality assurance capabilities	Conduct trainings for quality control staff in terms of latest product quality requirement and regulations Retain the two quality control technicians	HK\$0.3 million
General working capital		HK\$0.7 million

In summary, the implementation plans of our Group's business objectives and strategies from the Latest Practicable Date to 30 September 2019 will be funded by the net proceeds from the Share Offer as follows:

	For the period from the Latest Practicable Date to 31 March 2018 <i>HK\$ million</i>	For the six months ending 30 September 2018 <i>HK\$ million</i>	For the six months ending 31 March 2019 <i>HK\$ million</i>	For the six months ending 30 September 2019 <i>HK\$ million</i>	Total <i>HK\$ million</i>
Broaden the existing customer base, increase our market share in the existing target markets and expand into new markets	—	8.0	4.5	1.0	13.5
Enhance design and development capabilities	0.3	3.2	0.7	0.6	4.8
Enhance our quality assurance capabilities	0.2	0.3	4.0	0.3	4.8
Enhance brand recognition and awareness and promote our corporate reputation	1.9	1.7	1.2	1.6	6.4
General working capital	0.6	0.6	0.6	0.7	2.5
	3.0	13.8	11.0	4.2	32.0

FUTURE PLANS AND USE OF PROCEEDS

Bases and key assumptions:

The implementation plans are based on the following bases and key assumptions:

- there will be no material changes in the existing applicable laws, policies or industry or regulatory treatment or in the political, fiscal, foreign trade or economic conditions in Hong Kong, the PRC and other places in which our Group operates or intends to operate;
- there will be no significant changes in the interest rates or the currency exchange rates from those currently prevailing;
- there will be no material changes in the bases or rates of taxation applicable to our Group;
- the Share Offer will be completed in accordance with and as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus;
- our Group will not be materially affected by the risk factors as set out under the section headed “Risk factors” in this prospectus; and
- our Group will be able to continue our operation in substantially the same way as it has been operating and there will be no disasters, natural, political or otherwise, which would materially disrupt our business or the implementation of our development plans.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of six Directors, comprising three executive Directors and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our Group's business.

The following table sets out certain information in respect of the members of our Board:

Name	Age	Present position	Principal role and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Director(s) and/or senior management
Mr. She Leung Choi (余良材)	47	Executive Director, chairman of the Board and chief executive officer	Overall business development, corporate strategic planning and corporate management of our Group	18 December 2000	27 March 2017	Brother of Mr. Alex She
Ms. Chan Lai Yin (陳麗燕)	46	Executive Director	Business operation, corporate management, corporate strategy implementations and products development of our Group	18 December 2000	27 March 2017	Nil
Mr. She Leung Ngai Alex (余良霓)	46	Executive Director	Business operation, sales and marketing, customer service and information technology of our Group	1 April 2001	27 March 2017	Brother of Mr. She
Mr. Ho Kim Ching (何劍菁)	40	Independent non-executive Director	Supervising our Group's compliance and corporate governance matters, providing independent advices to our Board	22 September 2017	22 September 2017	Nil
Mr. Chan Ching Sum Sam (陳錚森)	34	Independent non-executive Director	Supervising our Group's compliance and corporate governance matters, providing independent advices to our Board	22 September 2017	22 September 2017	Nil
Ms. Fan Pui Shan (樊佩珊)	47	Independent non-executive Director	Supervising our Group's compliance and corporate governance matters, providing independent advices to our Board	22 September 2017	22 September 2017	Nil

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. She Leung Choi (佘良材), aged 47, is our founder, executive Director, chairman of the Board and chief executive officer. Mr. She is brother of Mr. Alex She and son of Ms. Sze. Mr. She was appointed as a Director on 27 March 2017 and was re-designated as our executive Director on 11 May 2017 and held various positions within our Group. Mr. She has been a director of B&C Industries HK since 2000 and has been involved in business and product development, marketing and the management of B&C Industries HK. Mr. She was involved in all aspects of and the day to day operation during the initial start-up stage of B&C Industries HK. As the business develops and the operation of B&C Industries HK expands over the years, Mr. She is now taking up a managerial role and is more focused on the overall business development, corporate strategic planning and corporate management of our Group.

Mr. She has over 15 years of management and operation experience in the homeware products export industry. Prior to establishing our first operating subsidiary, Mr. She set up B & C Enterprises Limited with his business partner, an Independent Third Party, in October 1996 and served as one of its directors until its dissolution by way of deregistration in June 2002.

Mr. She obtained a degree of bachelor of business administration (honours) in management information systems from the Hong Kong Baptist University in December 1994.

Ms. Chan Lai Yin (陳麗燕), aged 46, is our founder and executive Director. Ms. Chan was appointed as a Director on 27 March 2017 and was re-designated as an executive Director on 11 May 2017 and held various positions within our Group. Ms. Chan has been a director of B&C Industries HK since 2000 and has been involved in business and product development of B&C Industries HK. Ms. Chan is responsible for the business operation, corporate management, corporate strategy implementations and product development of our Group.

Ms. Chan has over 15 years of management, operation and sales experience in the homeware products export industry. Prior to joining our Group, Ms. Chan worked at Light Land International Limited, a Hong Kong company engaged in the fashion and apparel industry, from 1995 to 2000, as an assistant manageress primarily responsible for sales management, product selection and customer service. From 1993 to 1995, Ms. Chan worked at Prejecting 2500 Limited, a Hong Kong company, as a merchandiser primarily responsible for development of product lines, style design and the coordination of sales.

Ms. Chan obtained a degree of bachelor of business administration (honours) in applied economics from the Hong Kong Baptist College (currently known as Hong Kong Baptist University) in December 1993.

Mr. She Leung Ngai Alex (佘良霓), aged 46, is our executive Director. Mr. Alex She is brother of Mr. She and son of Ms. Sze. Mr. Alex She was appointed as a Director on 27 March 2017 and was re-designated as our executive Director on 11 May 2017 and held various positions within our Group. Mr. Alex She joined our Group as a senior merchandiser in April 2001 and was appointed as a director of B&C Industries HK in January 2003. Mr. Alex She has been involved in the sales and marketing and customer relations in B&C Industries HK. Mr. Alex She is responsible for the business operation, sales and marketing, customer service and information technology of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Alex She has over 15 years of operation and sales experience in the homeware products industry. Prior to joining our Group, he worked at Vun Fat Industrial Co. Ltd. from 1997 to 2001, as a manager. From 1996 to 2002, Mr. Alex She served as a director of Epoch Elite Limited, a private company incorporated in Hong Kong in December 1996, of which he was one of the founders. Epoch Elite Limited was dissolved by way of deregistration in November 2002.

Mr. Alex She obtained a degree of bachelor of arts (honours) in sociology from the Hong Kong Baptist University in November 1995.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Kim Ching (何劍菁), aged 40, was appointed as an independent non-executive Director on 22 September 2017. Mr. Ho has over 14 years of experience in the accounting and finance industry. Since June 2010, Mr. Ho has been working for Viva China Holdings Limited (stock code: 8032), shares of which are listed on the GEM, in which he worked as the vice president of the corporate finance department, mainly responsible for overseeing the corporate finance matters of that group from June 2010 to March 2013, and acted as the company secretary and authorised representative, mainly responsible for overseeing the company secretarial and corporate governance matters from June 2010 to April 2016. From April 2013 until now, he serves as the corporate development director who is responsible for overseeing the corporate development, corporate finance, investment and investor relations matters of that group. From January 2006 to June 2010, Mr. Ho worked for Piper Jaffray Asia Limited as representative with type 6 licence (advising on corporate finance) of the regulated activities under the SFO, primarily responsible for corporate finance transactions including new listing, mergers and acquisitions and takeovers. From January 2003 to May 2005, Mr. Ho worked in the assurance and advisory business services department of Ernst & Young as an accountant. Mr. Ho is a certified public accountant of the Board of Accountancy in the Washington State, the U.S. and was conferred the right to use the designation of chartered financial analyst by the CFA Institute in September 2005.

Mr. Ho obtained a degree of bachelor of business administration and a degree of master of business administration from Simon Fraser University in May 1999 and September 2001, respectively.

Mr. Chan Ching Sum Sam (陳錚森), aged 34, was appointed as an independent non-executive Director on 22 September 2017. Mr. Chan has over 11 years of experience in the accounting and finance industry. Mr. Chan has been working for CVP Capital Limited as a representative with type 1 licence (dealing in securities) and type 4 licence (advising on securities) since February 2017 and as responsible officer with type 6 licence (advising on corporate finance) since March 2017. From February 2013 to February 2017, he worked at Changjiang Securities Holdings (HK) Limited and his last position was senior vice president of the corporate finance department. From October 2012 to November 2012, he worked at South West Capital Limited as a manager. From December 2010 to August 2012, he worked at Piper Jaffray Asia Limited as an investment banking analyst. From July 2009 to December 2010, he worked at China Construction Bank Corporation (stock code: 939), shares of which are listed on the Main Board of the Stock Exchange, as an accounting senior officer in the finance division. From March 2008 to July 2009, he worked at PricewaterhouseCoopers as senior associate in the assurance department. From September 2005 to March 2008, he worked at Ernst & Young as accountant in the assurance and advisory business services department. Mr. Chan is a fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan obtained a degree of bachelor of business administration in accounting from the Hong Kong Baptist University in November 2005, and a degree of master of science in financial analysis from The Hong Kong University of Science and Technology in November 2012.

Ms. Fan Pui Shan (樊佩珊), aged 47, was appointed as an independent non-executive Director on 22 September 2017. Ms. Fan has over 22 years of experience in the information technology industry. Since January 2012, Ms. Fan has been working for Fossil Asia Pacific Limited, an indirect wholly-owned subsidiary of Fossil Group, Inc. (NYSE stock code: FOSL), shares of which are listed on the NASDAQ stock market, in which her initial position was senior manager of the information technology department and in March 2014, she was promoted to retail systems director. From August 2008 to January 2012, Ms. Fan served as the business systems director of the information technology division of Ralph Lauren Asia Pacific Limited, a subsidiary of Ralph Lauren Corporation (NYSE stock code: RL), shares of which are listed on the NASDAQ stock market. From March 2000 to July 2008, Ms. Fan worked at SupplyLINE Logistics Limited and her last position at the company was information technology manager. From November 1999 to March 2000, Ms. Fan worked at Li & Fung (Trading) Limited, a wholly-owned subsidiary of Li & Fung Limited (stock code: 494), shares of which are listed on the Main Board of the Stock Exchange, as systems analyst of the information technology services division. From July 1995 to November 1999, Ms. Fan worked at Armitage Computer Systems Limited and her last position was systems analyst, mainly responsible for systems analysis and design, software development, systems testing and implementation. From August 1994 to July 1995, Ms. Fan worked at Wah Hing Group Co. Limited as information services assistant.

Ms. Fan obtained a degree of bachelor of business administration (honours) in management information systems from the Hong Kong Baptist University in December 1994 and a degree of master of arts in information systems from the City University of Hong Kong in November 2001.

Save as disclosed in this section, as at the Latest Practicable Date, each of our Directors confirms that he/she (i) did not hold any other directorships in the last three years prior to the Latest Practicable Date in public companies securities of which are listed on any securities market in Hong Kong or overseas; (ii) did not hold any other positions in our Company or other members of our Group; and (iii) does not have any other relationship with any Director, senior management or substantial shareholder or Controlling Shareholder of our Company.

Save for the interests of the executive Directors in the Shares which are disclosed in the section headed “Substantial Shareholders” and the paragraph headed “C. Further information about Directors and substantial Shareholders — 1. Disclosure of interests” in Appendix IV to this prospectus, none of our Directors has any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company.

Save as disclosed in this section, or where applicable, the section headed “Relationship with Our Controlling Shareholders”, as at the Latest Practicable Date, each of our Directors confirms that he/she is not engaged in, and does not have any interest in any business (other than our Group) which, directly or indirectly, competes or may compete with our business, which is discloseable under the GEM Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, there was no other information relating to our Directors that is required to be disclosed pursuant to Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules, and there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the corporate governance code (as defined in the GEM Listing Rules). Our Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Except for the deviation from provision A.2.1 of the corporate governance code, our Company's corporate governance practices have complied with the corporate governance code. Provision A.2.1 of the corporate governance code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. She is the chairman of the Board and the chief executive officer of our Group. In view of Mr. She being one of the founders of our Group and has been operating and managing our Group since its establishment in December 2000, our Directors believe that the vesting of the roles of chairman and chief executive officer in Mr. She is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. Accordingly, our Company has not segregated the roles of its chairman and chief executive officer as required by paragraph A.2.1 of the corporate governance code set out in Appendix 15 to the GEM Listing Rules.

SENIOR MANAGEMENT

Our senior management is responsible for day-to-day management of our business. The following table sets out certain information in respect of the senior management of our Group:

Name	Age	Date of joining our Group	Position	Principal role and responsibilities
Ms. Tsang Wing Kiu (曾詠翹)	43	1 April 2017	Chief financial officer and the Company secretary	Supervision of financial management, investor relations and company secretarial matters

Ms. Tsang Wing Kiu (曾詠翹), aged 43, joined our Group in April 2017 and is the chief financial officer and the company secretary of our Company. She is responsible for the supervision of financial management, investor relations and company secretarial matters of our Group. Ms. Tsang has approximately 20 years of experience in finance and accounting. Prior to joining our Group, Ms. Tsang worked at RSM Hong Kong, an international accounting firm, from April 2002 to September 2016 and was a senior manager when she left RSM Hong Kong. From November 1999 to August 2001, Ms. Tsang

DIRECTORS AND SENIOR MANAGEMENT

worked at Kerry Warehouse (Hong Kong) Limited as an assistant accountant. From February 1998 to November 1999, Ms. Tsang worked at Hong Kong Stationery Mfg. Co., Ltd. as an accountant. From March 1996 to February 1998, Ms. Tsang worked at Wofoo Plastics Limited and was an accounting officer when she left Wofoo Plastics Limited. She is a member of each of The Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. Ms. Tsang has not been a director for any publicly listed company during the three years preceding the date of this prospectus.

Ms. Tsang graduated from the City Polytechnic of Hong Kong with higher diploma in accountancy in December 1994 and obtained a degree of bachelor of arts in business administration from the University of Greenwich in July 1995, and a degree of master of science in accountancy from The Hong Kong Polytechnic University in December 2006.

COMPANY SECRETARY

Ms. Tsang Wing Kiu serves as the company secretary of our Company. For details of Ms. Tsang background, please refer to the paragraph headed “Senior Management” in this section in this prospectus.

COMPLIANCE OFFICER

Mr. She Leung Choi is the compliance officer of our Company. For details of Mr. She’s background, please refer to the paragraph headed “Executive Directors” in this section in this prospectus.

COMPLIANCE ADVISER

We have appointed Sunfund Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the term commencing on the Listing Date and ending on the date on which we distribute our annual report in respect of our financial results for the second full financial year commencing after the Listing Date.

Pursuant to Rule 6A.23 of the GEM Listing Rules, we shall seek advice from our compliance adviser on a timely basis in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate to a material extent from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of the Shares.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit committee

We established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3.3 of the corporate governance code as set out in Appendix 15 to the GEM Listing Rules pursuant to a resolution of our Directors passed on 22 September 2017. The primary duties of our audit committee are, among other things, to make recommendations to our Board on the appointment, reappointment and removal of external auditors, review the financial statements and provide material advice in respect of financial reporting, oversee our financial reporting process, internal control, risk management systems and audit process, and perform other duties and responsibilities assigned by our Board.

As at the Latest Practicable Date, our audit committee comprises Mr. Ho Kim Ching, Mr. Chan Ching Sum Sam and Ms. Fan Pui Shan, all being independent non-executive Directors. The chairman of our audit committee is Mr. Ho Kim Ching, who holds the appropriate professional qualification as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

Remuneration committee

We established a remuneration committee with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and paragraph B.1.2 of the corporate governance code as set out in Appendix 15 to the GEM Listing Rules pursuant to a resolution of our Directors passed on 22 September 2017. The primary duties of our remuneration committee are, among other things, to review and approve the management's remuneration proposals, make recommendations to our Board on the remuneration package of our Directors and senior management and ensure none of our Directors determines his/her own remuneration.

As at the Latest Practicable Date, our remuneration committee comprises Mr. Chan Ching Sum Sam, Mr. She and Mr. Ho Kim Ching. Mr. Chan Ching Sum Sam is the chairman of our remuneration committee.

Nomination committee

We established a nomination committee with written terms of reference in compliance with paragraph A.5.2 of the corporate governance code as set out in Appendix 15 to the GEM Listing Rules pursuant to a resolution of our Directors passed on 22 September 2017. The primary duties of our nomination committee are, among other things, to review the structure, size and composition of our Board, and select or make recommendations on the selection of individuals nominated for directorships.

As at the Latest Practicable Date, our nomination committee comprises Mr. Chan Ching Sum Sam, Mr. She and Mr. Ho Kim Ching. Mr. Chan Ching Sum Sam is the chairman of our nomination committee.

DIRECTORS AND SENIOR MANAGEMENT

Risk Management committee

We established a risk management committee with written terms of reference in compliance with the corporate governance code as set out in Appendix 15 to the GEM Listing Rules pursuant to a resolution of our Directors passed on 22 September 2017. The primary duties of our risk management committee are, among other things, to improve the corporate governance of our Company, and to assess the sanctions-related risks which our Group may be exposed to from time to time.

As at the Latest Practicable Date, our risk management committee comprises Ms. Chan, Mr. Alex She and Ms. Fan Pui Shan. Ms. Chan is the chairman of our risk management committee.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, Directors' fee and discretionary bonuses related to our performance. We also reimburse them for expenses which are necessary and reasonably incurred in relation to all business and affairs carried out by us from time to time or for providing services to us or executing their functions in relation to our business and operations. We regularly review and determine the remuneration and compensation package of our Directors and senior management by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and our Group's performance.

After Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For each of the year ended 31 March 2016 and 2017, the aggregate emoluments paid by us to our Directors were approximately HK\$1.0 million and HK\$1.0 million, respectively.

For the years ended 31 March 2016 and 2017, the aggregate remuneration including basic salaries, allowance, bonus and contribution to retirement benefit scheme, paid to the five highest paid individuals (including our Directors) by our Group was approximately HK\$1.6 million and HK\$1.7 million, respectively.

Save as disclosed in this sub-section, no other emoluments have been paid, or are payable, by us to our Directors and the five highest paid individuals during the Track Record Period.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and receivable by, our Directors (excluding discretionary bonus) for the year ending 31 March 2018 will be approximately HK\$1.4 million. Following Listing, our remuneration committee will make recommendations on the remuneration of our Directors taking into account the performance of our Directors and market standards, and the remuneration will be subject to approval by our Shareholders. Accordingly, the historical remuneration to our Directors during the Track Record Period may not reflect the future levels of remuneration of our Directors.

DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office. There was no arrangement under which any of our Directors waived or agreed to waive any remuneration during the Track Record Period.

For additional information on our Directors' remuneration during the Track Record Period as well as information on the five highest paid individuals, please refer to the Accountants' Report set out in Appendix I to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Further information on the Share Option Scheme is set forth in the sub-section headed "D. Share option scheme" in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme), the following persons/entities will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 member of our Group:

Name of Shareholder	Capacity/Nature of interest	Number of Shares ^(Note 1)	Approximate percentage of shareholding
Hearthfire ^(Note 2)	Beneficial owner	611,250,000 (L)	61.125%
Mr. She ^(Note 2)	Interest in a controlled corporation	611,250,000 (L)	61.125%
Top Clay ^(Note 3)	Beneficial owner	52,500,000 (L)	5.25%
Ms. Sze ^(Note 3)	Interest in a controlled corporation	52,500,000 (L)	5.25%
Present Moment ^(Note 4)	Beneficial owner	86,250,000 (L)	8.625%
Ms. Chan ^(Note 4)	Interest in a controlled corporation	86,250,000 (L)	8.625%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. Hearthfire is beneficially and wholly owned by Mr. She. By virtue of the SFO, Mr. She is deemed to be interested in all the Shares held by Hearthfire.
3. Top Clay is beneficially and wholly owned by Ms. Sze. By virtue of the SFO, Ms. Sze is deemed to be interested in all the Shares held by Top Clay.
4. Present Moment is beneficially and wholly owned by Ms. Chan. By virtue of the SFO, Ms. Chan is deemed to be interested in all the Shares held by Present Moment.

Save as disclosed in the above table, our Directors are not aware of any person who will or any entity which will, immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company 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 member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue, Mr. She, through his investment holding company Hearthfire, will be beneficially interested in 61.125% of the issued share capital of our Company (without taking into account any Shares which may be allotted and issued upon exercise of the Offer Size Adjustment Option), and hence Mr. She and Hearthfire are our Controlling Shareholders. In spite of the mother-son relationship between Ms. Sze and Mr. She, they are not accustomed to act in accordance with the instructions or actions of one another; therefore, Ms. Sze and Mr. She are not parties in concert.


Mr. She is our founder, chairman, chief executive officer and executive Director. For more details on the biographical information and experience of Mr. She, please refer to the paragraph headed “Directors and Senior Management — Executive Directors” in this prospectus. Hearthfire is an investment holding company wholly-owned by Mr. She, which has no business interest apart from its shareholding in our Group and of which Mr. She is the sole director.

PANSINO HOLDINGS

Pansino Holdings, which is an investment holding company, is directly owned as to 95% by Mr. She, an executive Director, a Controlling Shareholder, the chairman of the Board and the chief executive officer of the Group. Pansino Holdings wholly owns two subsidiaries, namely, Xi’an Pansino Homeware Company Limited* (西安泛華家用品有限公司) (“**Xi’an Pansino**”) with a branch in Shenzhen and Pansino Shenzhen, which were established under the laws of the PRC in March 2008 and July 2009, respectively.

The principal business of Xi’an Pansino and its Shenzhen branch were sales of handicrafts, home and hotel decorations and ceramic products to retail customers in the PRC. During the Track Record Period and up to the Latest Practicable Date, Xi’an Pansino and its Shenzhen branch had no business operation.

Consent to use of trade mark granted by Pansino Holdings

The Group was granted the right to use free of charge the trade mark “SATU BROWN” which was registered in the UK from the date of registration (i.e. 5 June 2009) to the date of surrender (i.e. 6 April 2017) by Pansino Holdings. Upon the surrender of such trade mark by Pansino Holdings, Satu Brown HK registered a trade mark  in the UK on 4 August 2017, details of which are set out in the sub-section headed “B. Information about the business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

Use of registered office of B&C Industries HK by Pansino Holdings

During the Track Record Period, Pansino Holdings had used the registered office of B&C Industries HK free of charge as its registered office until 12 June 2017, upon which, Pansino Holdings ceased to use the registered office of B&C Industries HK as its registered office.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Goods purchased by the Group from Pansino Shenzhen

The principal business of Pansino Shenzhen was sales of reed diffusers, ceramic products and towels and property holding and leasing in the PRC.

During the Track Record Period, the Group purchased goods, which were mainly reed diffusers, from Pansino Shenzhen. For each of the year ended 31 March 2016 and 2017, the transaction amounts for the purchase were approximately HK\$0.4 million and HK\$0.1 million, respectively. Our Directors confirm that there has been no purchase by the Group from Pansino Shenzhen since January 2017. In early June 2017, Pansino Shenzhen sold all its remaining inventory in an aggregate sum of approximately HK\$0.1 million. All the goods purchased by the Group from Pansino Shenzhen and the remaining inventory of Pansino Shenzhen were sold to Independent Third Parties. As at the Latest Practicable Date, Pansino Shenzhen has no business operation other than property holding and leasing. For details of a property leased by the Group from Pansino Shenzhen, please refer to the section headed “Continuing Connected Transactions” in this prospectus.

RETAIL BUSINESS OWNED BY MR. SHE

Mr. She owned certain retail business operated through two retail shops, of which principal businesses were sales of essential oil and its accessories as well as towels, in a shopping mall in Shenzhen, the PRC. On 8 June 2017, Mr. She entered into a transfer agreement with a purchaser, an Independent Third Party, pursuant to which, (i) Mr. She agreed to transfer to the purchaser, and the purchaser agreed to purchase from Mr. She, the remaining inventory of the two retail shops at the consideration of RMB200,000, (ii) within 10 business days from the date of execution of the transfer agreement, the purchaser will enter into new tenancy agreements with the landlord of the shopping mall of the retail shops, upon which, the tenancy agreements entered into between Mr. She and the landlord of the shopping mall for the two retail shops will be terminated, (iii) Mr. She agreed to terminate the employment contracts with the employees of the retail shops and the purchaser will enter into new employment contracts with such employees on the same terms, and (iv) within 15 business days of the completion of the aforesaid, Mr. She has applied for the deregistration of individual industrial and commercial households, and the process of deregistration is expected to be completed before Listing.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

In the opinion of our Directors, our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders, their respective close associates or any other parties after Listing, taking into account the following factors:

Management independence

Our Board consists of six members, comprising three executive Directors and three independent non-executive Directors. Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business. The main function of our Board includes the approval of its overall strategic business plans and development, monitoring the implementation of these policies and strategies and the management of our Company. Our Company has an independent management team with extensive experience and expertise in its business, to implement our Group’s policies and strategies.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Each of our Directors is aware of his/her fiduciary duties as a director of our Company 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 duties as a Director and his personal interest to exist. 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 meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, our Group has an independent management team to carry out the business decisions of our Group independently and our independent non-executive Directors will bring independent judgment to the decision-making process of our Board.

Having considered the above factors, our Directors are satisfied that our Board as a whole together with our management team are able to perform the managerial roles in our Group independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders (including their respective close associates) after Listing.

Operational independence

Our Group has established its own set of organisational structure made up of individual departments, each with specific areas of responsibilities. Our Group has independent access to suppliers, customers, marketing, sales and general administration resources, and has not shared such operational resources with our Controlling Shareholders and/or their associates.

Our Group holds all relevant licences necessary to carry on our business. We have sufficient capital and full control over our major assets to continue our business independently of our Controlling Shareholders and their respective close associates. We do not rely on our Controlling Shareholders for any material amount of our revenue, staffing or marketing. We have also established a set of internal controls to facilitate the effective operation of our business.

In view of the above and considering the operations of our Group as a whole, our Directors are of the view that there is no operational dependence on our Controlling Shareholders.

Financial independence

During the Track Record Period and up to the Latest Practicable Date, Mr. She, Ms. Chan, Ms. Sze and her husband, Mr. Sai Wing Hong had provided personal guarantees, and Ms. Sze and Mr. Sai Wing Hong, had provided a legal charge over their property for the banking facilities arrangement used by the Group. All outstanding liabilities have been settled as at the Latest Practicable Date and after full repayment of such banking liabilities, the banking facilities have been cancelled and there is no guarantee or securities and other documents of title held by the bank. Our Group has our own financial management system and the ability to operate independently from our Controlling Shareholders from a financial perspective.

Having considered the above, our Directors are of the view that our Group has sufficient capital to operate our business independently and is able to obtain financing from external sources without reliance on our Controlling Shareholders after Listing. There will be no financial dependence on our Controlling Shareholders or any of their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Save as disclosed in this section and the section headed “Financial Information — Indebtedness — bank borrowings”, our Directors confirm that as at the Latest Practicable Date, our Controlling Shareholders have not provided any other guarantee or loan to our Group, nor has any other party provided any guarantee in favour of our Group.

NON-COMPETITION UNDERTAKING

The Controlling Shareholders (the “**Covenantors**”) entered into the Non-competition Undertaking dated 22 September 2017 in favour of our Company, to the effect that each of the Covenantors will not, and will use his/its best endeavors to procure that his/its close associates do not and shall not, directly or indirectly or as principal or agent, whether on his/its own or in conjunction with or on behalf of any person, firm or company or through any entities, be interested or engaged in or otherwise be involved, in any business which is in competition with, or is likely to be in competition with any business presently carried on by our Group or any other business that may be carried on by our Group from time to time during the term of the Non-competition Undertaking (the “**Business**”), provided that the Non-competition Undertaking shall not preclude any of the Covenantors and their respective close associates from having any interest in shares of not more than 5% of the issued shares in any company (the “**Subject Company**”) which shares are listed on any recognised stock exchange even though the business carried on by the Subject Company is or is likely to be in competition with the Business and that:

- (a) (i) there is a holder (together where appropriate, with its associates) with a larger shareholding in the Subject Company than the aggregate shareholding held by the relevant Covenantor and/or his or its close associates at all times and (ii) the total number of the relevant Covenantor’s representatives on the board of directors of the Subject Company is not significantly disproportionate in relation to his or its shareholding in the Subject Company; and
- (b) the total number of shares held by the relevant Covenantor and/or his or its close associates together with other persons who are acting in concert (as defined in the Takeovers Codes) with any of them shall not exceed 30% (or such other percentage as may from time to time be specified in the Takeovers Codes as being the level for triggering a mandatory general offer) of the issued shares of the Subject Company.

Each of the Covenantors further undertakes and covenants that during the continuation of the Non-competition Undertaking:

- (a) if any new business investment or other business opportunity relating to the Business other than in our Company (“**Business Opportunity**”) is identified by or made available to him/it or any of his/its close associates, he/it shall and shall procure that his close associates shall refer such Business Opportunity to our Company on a timely basis; and
- (b) he/it shall, and shall procure that his/its close associates shall, provide all information necessary for the enforcement of this Non-competition Undertaking and shall make an annual declaration on the compliance with this Non-competition Undertaking in the annual report of our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In the event that a Business Opportunity is referred to our Company pursuant to the Non-competition Undertaking, the relevant Covenantor shall and shall procure his/its close associates to give written notice to our Company of such Business Opportunity within seven days identifying the target company (if relevant) and the nature of the Business Opportunity, the investment or acquisition costs and all other details for our Company to consider whether to pursue such Business Opportunity. Our Company shall seek approval from the Directors (including the independent non-executive Directors) who do not have a material interest in the Business Opportunity (“**Independent Board**”) as to whether to pursue or decline the Business Opportunity and the Independent Board shall consider (i) the financial impact of pursuing the Business Opportunity offered, (ii) whether the nature of the Business Opportunity is consistent with our Group’s strategies and development plans, (iii) the general market conditions in the industry of the Business and (iv) any advice from independent financial advisers, should the appointment of which be deemed necessary by the Independent Board. The Independent Board shall, within 30 days of receipt of the written notice referred to above, inform the relevant Covenantor and/or his/its relevant close associate(s) in writing on behalf of our Company its decision whether to pursue or decline the Business Opportunity and the relevant Covenantor and/or his/its relevant close associate(s) shall be entitled but not obliged to pursue such Business Opportunity if he or it has received a notice from the Independent Board referred to above declining such Business Opportunity. If there is any material change in the nature, terms or conditions of such Business Opportunity pursued by the relevant Covenantor and/or his/its relevant close associate(s), he or it shall, and shall procure that his/its relevant close associate(s) shall, refer such Business Opportunity as so revised to our Company in the manner as outlined above as if it were a new Business Opportunity.

The provisions contained in the Non-competition Undertaking are conditional upon the conditions stated in the section headed “Structure and conditions of the Share Offer — Conditions of the Share Offer” in this prospectus having been fulfilled.

The Non-competition Undertaking shall take effect upon Listing and shall cease to be of any force and effect on a Covenantor on:

- (a) the date on which the Shares cease to be listed and traded on the Stock Exchange; or
 - (b) the date on which such Covenantor ceases to be the Controlling Shareholder of our Company,
- whichever occurs first.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen the corporate governance practice and to safeguard the interests of our Shareholders:

- (i) a Director shall not vote nor shall he/she be counted in the quorum on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her associate is materially interested;
- (ii) the independent non-executive Directors will review, on an annual basis, the compliance with the Non-competition Undertaking by the Covenantors;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iii) the Covenantors undertake to provide, and to procure that his/its close associates shall provide, all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Non-competition Undertaking;
- (iv) our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Non-competition Undertaking of the Covenantors in the annual reports of our Company; and
- (v) the Covenantors will make an annual declaration on compliance with the Non-competition Undertaking in the annual report of our Company.

With the measures set out above, our Directors believe that the interest of our Shareholders will be protected.

RULE 11.04 OF THE GEM LISTING RULES

Save as disclosed in this section, as at the Latest Practicable Date, none of our Controlling Shareholders, our substantial Shareholders, our Directors and their respective close associates had any interest in a business apart from our business which competes or is likely to compete, directly or indirectly, with our business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

OVERVIEW

During the Track Record Period, our Group has entered into a transaction with a connected person of which it will continue and constitute continuing connected transactions upon Listing under the GEM Listing Rules, and are fully exempt from the reporting, announcement, annual review, circular and the independent shareholders' approval requirements under the GEM Listing Rules.

CONNECTED PERSON

Pansino Shenzhen

Pansino Shenzhen is indirectly owned as to 95% by Mr. She, who is an executive Director, a Controlling Shareholder, chairman of the Board and chief executive officer of our Group, Pansino Shenzhen will become our connected person upon Listing under Chapter 20 of the GEM Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Background

On 15 September 2015, B&C Industries HK, an indirect wholly-owned subsidiary of the Company, as the tenant, entered into a tenancy agreement (the “**2015 Tenancy Agreement**”) with Pansino Shenzhen, as the landlord, for the lease of the property situated at Units 01 to 07, 23/F, Oriental Plaza, Luohu, Shenzhen, the PRC with a gross floor area of 701 square metres (the “**Premises**”) for a rent of approximately HK\$90,000 per month (inclusive of applicable land use fee, property tax arising from the lease of the Premises, management fee, utilities fees, sanitation fee and central air-conditioning fee) for a term of 2 years, commencing from 1 October 2015 and expiring on 30 September 2017.

On 28 December 2016, B&C Industries HK entered into a supplemental tenancy agreement (the “**2016 Supplemental Tenancy Agreement**”) with Pansino Shenzhen, pursuant to which, the term for the lease of the Premises under the 2015 Tenancy Agreement was extended to 31 December 2017.

On 16 June 2017, B&C Industries HK, as the tenant, entered into a tenancy agreement (the “**2017 Tenancy Agreement**”) with Pansino Shenzhen, as the landlord, for the lease of the property situated at Units 01 to 11, 23/F, Oriental Plaza, Luohu, Shenzhen, the PRC with a gross floor area of 1,060 square metres (the “**Expanded Premises**”) for a rent of approximately HK\$0.1 million per month (inclusive of applicable land use fee, property tax arising from the lease of the Expanded Premises, management fee, utilities fees, sanitation fee and central air-conditioning fee) for a term of 32 months, commencing from 1 August 2017 and expiring on 31 March 2020. Pursuant to the 2017 Tenancy Agreement, when the term of the 2017 Tenancy Agreement commences, the 2015 Tenancy Agreement as amended by the 2016 Supplemental Tenancy Agreement will be terminated.

The Premises has been used as our showroom and office in the PRC. It is expected that our Group will continue to lease the Expanded Premises after Listing.

CONTINUING CONNECTED TRANSACTIONS

Historical transaction amounts and proposed annual cap on future transaction amounts

For the two years ended 31 March 2017, the aggregate rental paid by the Group under the 2015 Tenancy Agreement as amended by the 2016 Supplemental Tenancy Agreement was approximately HK\$0.8 million and HK\$0.9 million, respectively.

The rental payable by the Group for the three years ending 31 March 2018, 2019 and 2020 under the 2015 Tenancy Agreement as amended by the 2016 Supplemental Tenancy Agreement, together with the 2017 Tenancy Agreement will be approximately HK\$1.3 million, HK\$1.5 million and HK\$1.5 million, respectively.

The Directors are of the view that the monthly rent under the 2015 Tenancy Agreement as amended by the 2016 Supplemental Tenancy Agreement and the 2017 Tenancy Agreement was determined after arm's length negotiation between B&C Industries HK and Pansino Shenzhen with reference to the prevailing market price and is in line with the market rental price, and is fair and reasonable.

GEM LISTING RULES IMPLICATIONS

It was proposed that the annual caps for the rental payable for the years ending 31 March 2018, 2019 and 2020 under the 2017 Tenancy Agreement will be approximately HK\$1.3 million, HK\$1.5 million and HK\$1.5 million, respectively. Since each of the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) is expected to be less than 5% and the annual consideration is less than HK\$3,000,000, the transactions contemplated under the 2017 Tenancy Agreement constitute de minimis continuing connected transactions of the Company under Rule 20.74(1)(c) of the GEM Listing Rules. Accordingly, the 2017 Tenancy Agreement and the transactions contemplated thereunder will be exempt from the reporting, announcement, annual review, circular and the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules upon Listing.

SHARE CAPITAL

SHARE CAPITAL

Assuming the Offer Size Adjustment Option is not exercised at all, and without taking into account the options that may be granted under the Share Option Scheme, the share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue will be as follows:

	Nominal value <i>HK\$</i>
Authorised share capital:	
10,000,000,000 Shares	100,000,000.00
	Nominal value <i>HK\$</i>
Issued and to be issued, fully paid or credited as fully paid:	
38,000,000 Shares in issue as at the date of this prospectus	380,000.00
712,000,000 Shares to be issued pursuant to the Capitalisation Issue	7,120,000.00
250,000,000 Shares to be issued pursuant to the Share Offer	2,500,000.00
1,000,000,000 Total	10,000,000.00

Assuming the Offer Size Adjustment Option is exercised in full, and without taking into account any options that may be granted under the Share Option Scheme, the share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue will be as follows:

	Nominal value <i>HK\$</i>
Authorised share capital:	
10,000,000,000 Shares	100,000,000.00
	Nominal value <i>HK\$</i>
Issued and to be issued, fully paid or credited as fully paid:	
38,000,000 Shares in issue as at the date of this prospectus	380,000.00
712,000,000 Shares to be issued pursuant to the Capitalisation Issue	7,120,000.00
250,000,000 Shares to be issued pursuant to the Share Offer	2,500,000.00
37,500,000 Shares to be issued upon exercise of the Offer Size Adjustment Option in full	375,000.00
1,037,500,000 Total	10,375,000.00

SHARE CAPITAL

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issuance of Shares pursuant to the Share Offer is made as described herein. It does not take into account any Share which may be allotted and issued or repurchased pursuant to the general mandate granted to the Directors for allotment and issue of Shares as described in the paragraph headed “General mandate to issue Shares” in this section or for repurchase of Shares as described in the paragraph headed “General mandate to repurchase Shares” in this section, as the case may be.

RANKING

The Offer Shares will be ordinary Shares in the share capital of our Company and will rank *pari passu* in all respects with all existing Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors will be granted a general mandate to exercise all powers of our Company to allot, issue and deal with Shares with a total number of not exceeding the aggregate of:

- (a) 20% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue; and
- (b) the total number of Shares repurchased by our Company pursuant to the general mandate as mentioned in the paragraph headed “General mandate to repurchase Shares” in this section.

The general mandate is in addition to the powers of our Directors to allot, issue or deal with Shares under any rights issue, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend in accordance with our Articles, or pursuant to the exercise of any subscription rights attached to any warrants which may be issued by us from time to time, or upon the exercise of the Capitalisation Issue.

This abovementioned general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of our Company’s next annual general meeting;
- the expiration of the period within which our Company is required by our Articles or any applicable laws to hold its next annual general meeting; or
- when revoked or varied by an ordinary resolution of our Shareholders in general meeting.

Particulars of this general mandate to allot, issue and deal with Shares are set forth under the paragraph headed “Statutory and General Information — A. Further Information About Our Group — 3. Written resolutions of all our Shareholders passed on 22 September 2017” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors will be granted a general mandate to exercise all powers of our Company to repurchase Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue.

This general mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the GEM Listing Rules or any other stock exchange as amended from time to time. A summary of the relevant GEM Listing Rules is set out in the section headed “Statutory and General Information — A. Further Information About Our Group — 6. Repurchases of our Shares” in Appendix IV to this prospectus.

The abovementioned general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of our Company’s next annual general meeting;
- the expiration of the period within which our Company is required by our Articles or any applicable laws to hold its next annual general meeting; or
- when revoked or varied by an ordinary resolution of our Shareholders in general meeting.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of its principal terms is set out in the sub-section headed “D. Share option scheme” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Companies Law, reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, please refer to the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (c) Alteration of capital” in Appendix III to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, refer to the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (ii) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our Group's consolidated financial information, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. Our Group's consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depend on a number of risks and uncertainties over which our Group does not have control. For further information, see the sections headed "Risk Factors" and "Forward-looking Statements" in this prospectus.

OVERVIEW

We principally engage in the design, development and production management of homeware products with operations in the PRC and Hong Kong. We have established a product portfolio with a wide range of homeware products with different design, style, color tone and material, which can be broadly classified as home decorations, bathroom accessories, kitchenware and tableware and other homeware products.

Since 2002, we have targeted overseas customers who tend to place more emphasis on the styling and contemporariness of homeware products and see them as fashionable items coinciding with the decor of the surroundings. We have built a diverse global customer portfolio comprising international brand owners and licensee, chain supermarkets and renowned department stores such as Kahler Design A/S. During the Track Record Period, most of our homeware products were exported overseas with shipment destinations in more than 25 countries, including U.K., Denmark, Germany, Australia, France, Poland, Italy and U.S.. During the Track Record Period, Europe was our major shipment destinations which accounted for approximately 89.5% in 2016 and 83.8% in 2017 of our revenue respectively.

In August 2016, we have also commenced the marketing and sales of our own branded products under our brand "SATU BROWN". Our "SATU BROWN" products are mainly home decorations which are principally designed and developed by us and being sold through third party e-commerce platform. For each of the two years ended 31 March 2017, our revenue derived from the sales of "SATU BROWN" branded products amounted to HK\$nil and approximately HK\$3.7 million respectively.

For each of the two years ended 31 March 2017, our revenue was approximately HK\$85.7 million and HK\$65.2 million, respectively and our net profits were approximately HK\$9.3 million and HK\$10.3 million, respectively.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Prior to the incorporation of the Company and the completion of Reorganisation, business of the Group (the “**Listing Business**”) was carried out by the Hong Kong and PRC companies of the Group (collectively the “**Operating Companies**”). The Operating Companies were collectively controlled by Mr. She, Ms. Chan and Ms. Sze throughout the Track Record Period.

Immediately prior to and after the Reorganisation, our business is held by the Operating Companies. Pursuant to the Reorganisation, the interests in the Operating Companies together with the business are transferred to and held by the Company through B&C Industries BVI. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business, and the ultimate owners of the Listing Business remain the same. Accordingly, the consolidated financial information of the companies now comprising the Group is presented using the carrying values of the Listing Business under B&C Industries BVI for all periods presented. For the purpose of this section, the financial information has been prepared 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.

Intercompany transactions, balances and unrealised gains/losses on transactions between Group companies are eliminated on consolidation.

There was no adjustment made to the net assets nor the net profit or loss of any companies now comprising the Group in order to achieve consistency of the Group’s accounting policies.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATION

Our operating results are affected by a number of important factors which may also affect our future financial results. Our operating and financial results are primarily affected by the following factors:

Our ability to enhance existing products and design and develop new products to keep up with the changes in customer preference and tastes

As necessary products in daily life, homeware products are expected to see continuous growth in sales value along with household and personal consumption globally, due to the steady growth of homeware export market. Our success to date is largely attributable to our ability to design and develop new homeware products and enhance our existing products. If we fail to design and develop products with acceptable quality or lag behind our competitors in improving our product quality or product range, our results of operation and financial condition may be adversely affected.

Our growth is strengthened by the expansion of our product offerings which depends on consumers’ demand and market preferences for homeware products. The level of consumer demand is dependent on the economic environment, the level of per capita purchasing power and the consumption preferences of our target customers. The increase in per capita purchasing power is expected to lead to an increase in the purchase of homeware products. Homeware products are consumer products which are affected by consumers’ preferences and tastes. We need to keep up with changes in consumers’

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preferences and tastes in order to maintain our market share and profitability. Our product development and design teams' ability to continuously develop new and charming designs to meet the ever-changing trends and satisfy customers' requirements will directly affect our business and results of operations.

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

Our sales are made on the basis of individual purchase orders. The volume of products purchased by specific customers may vary from year to year due to a number of factors affecting the consumer demand for our customers' products, including the financial and operational success of our customers and the popularity of their brands. Sales of our customers' products to consumers and, as a result, the volume of products purchased by our customers may also vary due to a number of factors affecting consumers' spending patterns, including growth of internet sales, increasing purchasing power of consumers, and popularity of homeware gift sets.

We have well-established relationships with certain key customers such as Kahler Design A/S. As at Latest Practicable Date, our five largest customers for the two years ended 31 March 2017 have been our customers for a period ranging from approximately two to over 10 years. As a result of these stable relationships, we believe we will receive recurring orders from our existing customers. The relationships with key customers have also enhanced our reputation as one of the providers of homeware products and provide us with a competitive advantage in attracting additional homeware brand owners and licensees, chain supermarkets and department stores as customers. However, our future results of operation may be particularly impacted by changes in our relationships with key customers or by factors that affect the demand for their products from consumers.

Product mix

Our products are broadly categorised into three segments: home decorations, bathroom accessories and kitchenware and tableware, which have different gross profit margins, levels of demand and selling prices. For each of the two years ended 31 March 2017, our revenue derived from sales of home decorations was approximately 66.3% and 49.0% respectively of our total revenue; our revenue derived from sales of bathroom accessories was approximately 29.7% and 44.5% respectively of our total revenue; and our revenue derived from sales of kitchenware and tableware was approximately 2.9% and 2.8% respectively of our total revenue. If our product mix changes or if we are unable to respond to the market demands and preferences, our results may be affected.

Seasonality

Every March to May and September to November, are the periods we generally hold our trade fairs at our showroom in Shenzhen, the PRC, which are the peak seasons for our homeware product sales. During our trade fairs, our customers will visit our showroom and place bulk purchases. As such, our sales in July to September generally reaches a higher level.

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The table below sets out the breakdown of our Group's revenue by quarter during the Track Record Period:

	Years ended 31 March			
	2016		2017	
	Revenue		Revenue	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Quarter 1 (April – June)	15,210	17.8	9,173	14.1
Quarter 2 (July – September)	25,500	29.8	24,693	37.9
Quarter 3 (October – December)	29,407	34.3	12,813	19.6
Quarter 4 (January – March)	<u>15,552</u>	<u>18.1</u>	<u>18,545</u>	<u>28.4</u>
	<u>85,669</u>	<u>100.0</u>	<u>65,224</u>	<u>100.0</u>

Revenue for the second quarter of the two years ended 31 March 2016 and 2017 represented approximately 29.8% and 37.9% of total revenue, respectively. For the year ended 31 March 2016, revenue for the third quarter represented approximately 34.3% of total revenue of the year which was mainly because we substantially delivered our products to Customer A in the third quarter that year. Customer A was one of our major customers during the Track Record Period who is a brand licensee and products were used by Customer A as gifts and rewards for marketing campaign of their customers. According to the Industry Report, orders received from brand licensees are usually project-based and dependent on the length of licensing contract between the licensee and its licensor. Sales to Customer A amounted to approximately HK\$18.8 million during the year ended 31 March 2016 and our Group did not receive much sales from Customer A of similar promotion and marketing nature as gifts and rewards for the year ended 31 March 2017. As such, the third quarter for the year ended 31 March 2016 accounted for the largest portion of revenue during the year which was different with the Group's historical record. If there is any change in seasonality or if we are unable to respond to such changes, our results may be affected.

Our ability to maintain our relationship with third party factories and monitor the cost of their production

We have engaged third party factories for our entire production processes. Our performance, and in particular the profit margins, depends on our ability to procure the production of homeware products by the third party factories at low cost. For each of the two years ended 31 March 2017, cost of homeware products represented approximately 94.0% and 89.3% respectively, of our total costs of sales. We have maintained business relationship with our five largest third party factories for a period ranging from approximately one to over six years as at Latest Practicable Date. This has enabled us to maintain a stable supply of high-quality homeware products.

Our ability to source a steady supply of homeware products from third party factories at a reasonable price is one of the key factors affecting our results of operation. We generally do not use long-term purchase agreement to limit our exposure to fluctuations in the price of our homeware products, nor is there any price adjustment clause where our customers will compensate us for unexpected increase in the price of products after place purchase orders.

FINANCIAL INFORMATION

SENSITIVITY ANALYSIS

For illustration purpose only, a sensitivity analysis of our net profit with reference to price fluctuation in our cost of homeware products (being the major component of our cost of sales), during the Track Record Period is set out as follows.

Hypothetical fluctuation in cost of homeware products

The following table demonstrates how the hypothetical effects of an increase or a decrease in cost of homeware products may affect our profit before tax during the Track Record Period, assuming we are not able to pass on such changes in cost to our customers while all other factors remain unchanged. The hypothetical fluctuation rate for our cost of homeware products is set at 35%, being the decrease of our total cost of homeware products during the Track Record Period.

	Hypothetical increase of 35% in cost of homeware products <i>HK\$'000</i>	Hypothetical decrease of 35% in cost of homeware products <i>HK\$'000</i>
Increase/decrease in profit before tax		
For the year ended 31 March 2017	-12,333	+12,333
For the year ended 31 March 2016	-19,084	+19,084

CRITICAL ACCOUNTING POLICIES

Our Directors have identified certain accounting policies and estimates that are significant to the preparation of the consolidated financial information of our Group in accordance with Hong Kong Financial Reporting Standards. The significant accounting policies are important for understanding the financial condition and results of operation of our Group and such accounting policies are set forth in the Accountants' Report in Appendix I to this prospectus. Some of the accounting policies require judgements, estimates and assumption about the carrying amounts of assets and liabilities. We based our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. Our management has identified the following policies that are most critical to the preparation of our consolidated financial information.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of our activities.

We recognise revenue from sales of homeware products when the homeware products are delivered to our customers and the title of goods has passed to customers.

We recognise interest income on a time-proportion basis using the effective interest method.

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Depreciation and useful lives of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairments losses. The cost of an item of property, plant and equipment includes its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment over its estimated useful life. 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. The assets' useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant or equipment and 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 period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Impairment of trade receivables

Our management determines the impairment of trade receivables on a regular basis. This estimate is based on the credit history of our customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-off would be higher than the estimated. Our management reassesses the impairment of trade receivables at the end of each reporting period.

We do not have a general policy on provision for impairment losses of trade receivables but would consider the need for a specific write-down of trade receivables on a case-by-case basis. Impairment losses in respect of trade receivables are recorded using an allowance account unless we are satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Inventories

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

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Income tax and deferred income tax

Significant estimates and judgement are required in determining the provision for income taxes and deferred income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Years ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	85,669	65,224
Cost of sales	<u>(58,025)</u>	<u>(39,492)</u>
Gross profit	27,644	25,732
Other income and net gains	236	429
Selling and distribution expenses	(10,847)	(6,053)
Administrative and other operating expenses	<u>(5,765)</u>	<u>(7,381)</u>
Profit from operations	11,268	12,727
Finance costs	<u>(72)</u>	<u>(28)</u>
Profit before tax	11,196	12,699
Income tax expense	<u>(1,890)</u>	<u>(2,363)</u>
Profit for the year	<u><u>9,306</u></u>	<u><u>10,336</u></u>
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(3)</u>	<u>(19)</u>
Other comprehensive income for the year, net of tax	<u>(3)</u>	<u>(19)</u>
Total comprehensive income for the year	<u><u>9,303</u></u>	<u><u>10,317</u></u>
Attributable to:		
Owners of the Company	9,428	10,321
Non-controlling interests	<u>(125)</u>	<u>(4)</u>
	<u><u>9,303</u></u>	<u><u>10,317</u></u>

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DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue is generated from sales of homeware products. We have the flexibility to provide our customers with a wide range of products which can be broadly classified as home decorations, bathroom accessories, kitchenware and tableware and other homeware products. In August 2016, we have commenced the sales of our own brand “SATU BROWN” products, which are mainly home decorations sold through third party e-commerce platform.

The following table provides a breakdown of our revenue by product category during the years indicated and the percentage of the total revenue:

Product category	Years ended 31 March			
	2016		2017	
	Revenue <i>HK\$'000</i>	%	Revenue <i>HK\$'000</i>	%
Home decorations	56,793	66.3	31,983	49.0
Bathroom accessories	25,472	29.7	29,020	44.5
Kitchenware and tableware	2,505	2.9	1,852	2.8
Others <i>(Note)</i>	899	1.1	2,369	3.7
	85,669	100.0	65,224	100.0

Note: Others mainly represented small household hardware including umbrella, electronic glasses and magnetic board puzzles games.

During the Track Record Period, our revenue dropped from approximately HK\$85.7 million for the year ended 31 March 2016 to approximately HK\$65.2 million for the year ended 31 March 2017. We recorded a drop of revenue of approximately 23.9% as compared to previous year.

Our homeware products are mainly designed by our product design and development team after studying market trends and preferences of the target end-users and customers. Our customers may provide us with a general concept and/or theme book for the type of homeware products they want, which we will based on when providing our pattern or product design by coupling our experience in homeware production. In some situations, our customers will provide us with their own specific design or technical drawing of the products, which our product design team and development team then evaluates the drawings and the feasibility of production, discusses with the customers for possible enhancements and improvements and provides our advice on the design and drawings.

Customer demand for our homeware products is the key driver of our revenue. The sales of different homeware product categories in each period depends on the product order mix from our customers. As a result, our sales is dependent on our ability to continuously develop new and attractive designs to meet the ever-changing trends and satisfy customers' requirements. Our product design and development team continuously adjust and develop different product mix which fits the market

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preferences and fashion trend. In addition, our sales is also dependent on our selling price of homeware products which is affected by the cost of raw materials used by third party factories and the size of homeware products.

During the two years ended 31 March 2017, home decorations and bathroom accessories were our major products. Our revenue derived from sales of home decorations decreased from approximately HK\$56.8 million for the year ended 31 March 2016 to approximately HK\$32.0 million for the year ended 31 March 2017 and such revenue accounted for approximately 66.3% and 49.0%, of our total revenue respectively.

The decrease of revenue derived from sales of home decorations by approximately 43.7% during the Track Record Period was primarily due to the decrease in sales orders received from two of our five largest customers in 2016, namely Kahler Design A/S and Customer A. Kahler Design A/S is an international brand owner and mainly purchases our home decorations for their different product lines. We recorded a drop of sales to Kahler Design A/S by approximately 49.4% from approximately HK\$31.2 million for the year ended 31 March 2016 to approximately HK\$15.8 million for the year ended 31 March 2017. The decrease was mainly due to the decrease in Kahler Design A/S's sales orders for two series of homeware products in home decorations such as vases, candle holders and tealight holders as a result of their anticipated drop in sales for such series of homeware products for the year ended 31 March 2017. The decrease in sales orders from Kahler Design A/S is also a result of their corresponding change in business strategies to focus on entering into new markets by enhancing and expanding their popular homeware products, whilst eliminating those less popular products. As a result, revenue derived from Kahler Design A/S dropped accordingly for the year ended 31 March 2017. Since our home decorations sold to Kahler Design A/S are customer-designed products which they retain the intellectual property rights of the designs and as confirmed by our Directors, our Group's homeware products produced for Kahler Design A/S are customised in which same product would not be sold to other customers of the Group, and the drop of sales orders from Kahler Design A/S during the Track Record Period is not indicative of a broader trend that may affect other customers of our Group.

Customer A is a procurement company and brand licensee in Netherlands that engages in the support for marketing products for loyalty programs which only places orders when they have been engaged by their customers for supplying marketing products for their loyalty programs. We recorded an approximately 99.6% drop of revenue from Customer A from HK\$18.8 million for the year ended 31 March 2016 to approximately HK\$72,000 for the year ended 31 March 2017. We supplied home decorations to Customer A for the year ended 31 March 2016 and these products were used by Customer A as gifts and rewards for certain marketing campaign of their customers. According to the Industry Report, orders received from brand licensees are wholly project-based and dependent on the length of licensing contract between the licensee and its licensor. Our Group did not record much sales from Customer A of similar promotion and marketing nature as gifts and rewards, therefore, revenue from Customer A dropped significantly for the year ended 31 March 2017. We had no product defects or quality issues with regard to our sales to Customer A during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, except for Customer A, our Group did not receive sales orders of similar promotion and marketing nature as gifts and rewards from other customers.

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During the Track Record Period, our revenue derived from sales of bathroom accessories increased from approximately HK\$25.5 million in 2016 to approximately HK\$29.0 million in 2017 and such revenue accounted for approximately 29.7% and 44.5%, respectively of our total revenue for the respective period. The growth was primarily attributable to an increase in orders received from new customers who purchased bathroom accessories for the year ended 31 March 2017.

Remaining products comprising kitchenware and tableware and other homeware products which accounted for an aggregate of approximately 4.0% and 6.5% of our total revenue, respectively during the Track Record Period. We recorded an increase of revenue from sales of kitchenware and tableware and other homeware products from an aggregate of approximately HK\$3.4 million in 2016 to approximately HK\$4.2 million in 2017 which represented an increase by approximately 23.5% or HK\$0.8 million as compared to that of 2016. Such increase was mainly attributable to the sales of “SATU BROWN” products through third party e-commerce platform since its launch in August 2016.

The table below sets out a breakdown of our revenue, gross profit and gross profit margin by customer type for the years indicated and the percentage of the total revenue:

Customer type	Years ended 31 March								
	2016				2017				
	Revenue	%	Gross	Gross	Revenue	%	Gross	Gross	
<i>HK\$'000</i>	of total	revenue	profit	margin	<i>HK\$'000</i>	of total	revenue	profit	margin
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Homeware brand owners and licensee	66,575	77.7	21,233	31.9	32,709	50.1	12,874	39.4	
Chain supermarkets	11,352	13.2	3,524	31.0	19,871	30.5	7,652	38.5	
Department stores	4,356	5.1	1,658	38.1	5,654	8.7	2,474	43.8	
Others ^(Note)	<u>3,386</u>	<u>4.0</u>	<u>1,229</u>	36.3	<u>6,990</u>	<u>10.7</u>	<u>2,732</u>	39.1	
	<u>85,669</u>	<u>100.0</u>	<u>27,644</u>	32.3	<u>65,224</u>	<u>100.0</u>	<u>25,732</u>	39.5	

Note: Others represented sales to small homeware shops and through third party e-commerce platform. During the Track Record Period, revenue derived from sales of “SATU BROWN” products which mainly included home decorations sold through third party e-commerce platform accounted for HK\$nil and approximately HK\$3.7 million for the two years ended 31 March 2017, respectively.

Our Group transacted with 45 and 53 customers in total for the two years ended 31 March 2017 respectively. For the year ended 31 March 2016, we had 34 recurring customers who had transacted with us prior to the year and 11 new customers with revenue generated of approximately HK\$64.9 million or 75.7% and approximately HK\$20.8 million or 24.3% of the total revenue for the year respectively. For the year ended 31 March 2017, we had 37 recurring customers and 16 new customers with revenue generated of approximately HK\$55.1 million or 84.5% and approximately HK\$6.4 million or 9.8% of our total revenue for the year respectively.

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During the Track Record Period, our largest customer type is homeware brand owners and licensee, which accounted for approximately 77.7% and 50.1%, respectively, of our total revenue for each of the two years ended 31 March 2017. We recorded a decrease of revenue from homeware brand owners and licensee from approximately HK\$66.6 million for the year ended 31 March 2016 to approximately HK\$32.7 million for the year ended 31 March 2017. Chain supermarkets were our second-largest customer type during the Track Record Period, which accounted for approximately 13.2% and 30.5% respectively to our total revenue for each of the two years ended 31 March 2017. Our sales of products to chain supermarkets increased by approximately 74.6% from approximately HK\$11.4 million for the year ended 31 March 2016 to approximately HK\$19.9 million for the year ended 31 March 2017.

The drop of revenue from homeware brand owners and licensee by approximately 50.9% during the year ended 31 March 2017 was consistent to the drop of revenue derived from sales of home decorations by approximately 43.7% for the same period. Kahler Design A/S and Customer A, being the brand owner and brand licensee respectively, mainly purchased home decorations from us during the Track Record Period. Our Group received less sales orders from Kahler Design A/S and Customer A during the year ended 31 March 2017 and therefore, our sales to homeware brand owners and licensee has decreased accordingly during the same period.

We recorded an increase of sales to chain supermarkets by approximately 74.6% from approximately HK\$11.4 million for the year ended 31 March 2016 to approximately HK\$19.9 million for the year ended 31 March 2017 and an increase of sales to renowned department stores by approximately 29.5% from approximately HK\$4.4 million for the year ended 31 March 2016 to approximately HK\$5.7 million for the year ended 31 March 2017. Such increase was primarily attributable to an increase in sales orders received from these two types of customers, which resulted from their better anticipation of consumers' preferences which has led to an increase in consumers' demand for the products they purchased from our Group.

During the two years ended 31 March 2017, sales to others represented sales to small homeware shops and through third party e-commerce platform in which we recorded a growth from approximately HK\$3.4 million for the year ended 31 March 2016 to approximately HK\$7.0 million for the year ended 31 March 2017. Our Group has commenced the sales of "SATU BROWN" products through third party e-commerce platform in August 2016 and recorded a revenue of approximately HK\$3.7 million during the year ended 31 March 2017.

Furthermore, with the efforts of our sales and marketing team, we have successfully increased the amount of sales with 16 new customers during the year ended 31 March 2017, which accounted for approximately HK\$6.4 million of our total revenue and partially offset the decreasing trend of our Group's revenue for the year.

Over the years of our operations, we have successfully built a diverse global customer portfolio comprising primarily of international brand owners and licensee, chain supermarkets and renowned department stores such as Kahler Design A/S. During the Track Record Period, our products were exported overseas with shipment destinations to more than 25 countries, including U.K., Denmark, Germany, Australia, France, Poland, Italy and U.S., with a major portion of revenue being derived from sales with shipment destinations in U.K., Denmark, Germany and Australia which in aggregate contributed approximately 55.5% and 72.7%, respectively, of our total revenue for each of the two years ended 31 March 2017.

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The table below sets out, for the years indicated, a breakdown of our revenue by shipment destination of the homeware products we sold to our customers and the percentage of our total revenue. The location of customers' headquarters may not necessarily correspond to the region in which the products are ultimately sold by our customers.

Country	Years ended 31 March			
	2016		2017	
	Revenue HK\$'000	%	Revenue HK\$'000	%
U.K.	8,616	10.1	20,843	32.0
Denmark	31,331	36.6	16,958	26.0
Germany	5,291	6.2	5,310	8.1
Australia	2,227	2.6	4,301	6.6
France	7,010	8.2	3,002	4.6
Poland	1,924	2.2	2,835	4.3
Italy	474	0.5	2,260	3.5
U.S.	1,613	1.9	2,229	3.4
Turkey	1,983	2.3	1,080	1.7
Canada	1,964	2.3	441	0.7
Russia	1,029	1.2	439	0.7
Netherlands	19,025	22.2	184	0.3
Other countries <i>(Note)</i>	<u>3,182</u>	<u>3.7</u>	<u>5,342</u>	<u>8.1</u>
	<u>85,669</u>	<u>100.0</u>	<u>65,224</u>	<u>100.0</u>

Note: Other countries mainly included Spain, Switzerland, Norway, Dubai, Mexico, Brazil, Sweden, Belgium, Romania and Tunisia.

Cost of sales

Our cost of sales primarily comprised of cost of homeware products, consumable materials, goods handling charges, packing expenses and other miscellaneous expenses. The table below sets forth the components of our cost of sales and each components as a percentage of total cost of sales for the years indicated:

	Years ended 31 March			
	2016		2017	
	HK\$'000	%	HK\$'000	%
Costs of homeware products	54,525	94.0	35,237	89.3
Consumable materials	2,448	4.2	1,512	3.8
Goods handling charges	—	—	1,394	3.5
Packing expenses	830	1.4	1,077	2.7
Others	<u>222</u>	<u>0.4</u>	<u>272</u>	<u>0.7</u>
	<u>58,025</u>	<u>100.0</u>	<u>39,492</u>	<u>100.0</u>

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Our cost of sales decreased from approximately HK\$58.0 million for the year ended 31 March 2016 to approximately HK\$39.5 million for the year ended 31 March 2017. The decrease was broadly in line with the decrease in sales of homeware products over the same financial year, hence, the decrease in costs of homeware products.

Gross profit and gross profit margin

Our gross profit was approximately HK\$27.6 million and HK\$25.7 million for each of the two years ended 31 March 2017, respectively. The following table sets forth an analysis of our gross profit and gross profit margin by product category for the years indicated:

	Years ended 31 March			
	2016		2017	
	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin
	<i>HK\$'000</i>		<i>HK\$'000</i>	
Home decorations	15,796	27.8	11,583	36.2
Bathroom accessories	10,976	43.1	12,393	42.7
Kitchenware and tableware	563	22.5	613	33.1
Others	309	34.4	1,143	48.2
	27,644	32.3	25,732	39.5

The total gross profit decreased from approximately HK\$27.6 million for the year ended 31 March 2016 to approximately HK\$25.7 million for the year ended 31 March 2017. Since home decorations and bathroom accessories were our principal products during the Track Record Period, the gross profit generated from the sales of home decorations and bathroom accessories accounted for approximately 96.8% and 93.2% of our total gross profit for each of the two years ended 31 March 2017, respectively.

The gross profit margin of sales of our home decorations increased from approximately 27.8% in 2016 to approximately 36.2% in 2017. The increase of gross profit margin was principally attributed to increase in gross profit margin of home decorations sold to Kahler Design A/S and Customer C. During the year ended 31 March 2016, Kahler Design A/S made several purchases of large procurement volume with our Group. Due to the large volume of the purchases, relatively low gross profit margin were recorded for the corresponding transactions. There was no similar transaction recorded in the year ended 31 March 2017. Customer C is a subsidiary of a U.K. based multinational supermarket chains sourcing homeware products for its group. In 2016, Customer C designed their own products and sent their drawings to our Group. Our design and development team then advise on their designs and arrange productions with third party factories. In 2017, Customer C engaged our Group for new product design and development, hence a higher gross profit margin of approximately 33.9% was recorded for sales to Customer C as compared to gross profit margin of approximately 25.0% for the year ended 31 March 2016. Moreover, during the year ended 31 March 2016, our sales to Customer A recorded a relatively lower gross profit margin of approximately 26.4% as compared to the overall gross profit margin of our Group. Home decorations sold to Customer A were for their customers' marketing campaign as gifts and rewards and hence they have placed a bulk purchase order. As Customer A was a new customer to our Group for the year ended 31 March 2016 and they had placed a large quantity order of home decorations in one transaction, our Group has given them a lower selling price which have resulted in a lower gross profit margin. The Directors considered it is commercially-sensible and justified to accept a relatively

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lower but yet reasonable gross profit margin level for such sales to Customer A. Our Directors also confirmed that discounts offered to our customers were granted on a case-by-case basis. We did not record sales of gifts with similar promotion and marketing nature as gifts and rewards from Customer A in 2017. As a result, our overall gross profit margin of home decorations has improved to approximately 36.2% in 2017.

Our gross profit margin for sales of bathroom accessories was approximately 43.1% for the year ended 31 March 2016 and this was similar to that for the year ended 31 March 2017 of approximately 42.7%.

For the year ended 31 March 2016, others mainly represented sales of small household hardware to customers. With the commencement of sales of our products through third party e-commerce platform in August 2016, others not only represented sales of small household hardware but also included sales of our products which mainly included umbrella, electronic glasses and magnetic board puzzle games for the year ended 31 March 2017. The significant increase in the gross profit and gross profit margin for sales of others were mainly due to sales of our products through third party e-commerce platform of approximately HK\$3.7 million with a higher gross profit margin during the year ended 31 March 2017 as compared to sales of homeware products through offline channel to customers during the year ended 31 March 2016.

Despite a relatively lower gross profit margin recorded regarding the sales to Kahler Design A/S and Customer A for the year ended 31 March 2016, the overall gross profit margin of our Group of approximately 32.3% for the same year could still be maintained. Instead of attracting customers by reducing our product price, it is our Group's business strategies to develop strong and established product design and development capabilities, and establish good business relationships with customers with a stringent quality assurance system for attracting customers. Through providing services that are accustomed to the customers' needs, the Group expects that it will be able to maintain gross profit margin level with reasonable return and profitability from its sales to customers in the future.

Other income and net gains

Other income and net gains primarily consist of sampling income, packaging income and interest income. Sampling income are charged to customers for product development, which are recognised when the amounts are mutually agreed by us and our customer. Packaging income represents services charged to customers who purchased our products through third party e-commerce platform for gift-wrapping services. The following table sets forth, for the Track Record Period, the breakdown of other income and net gains:

	Years ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sampling income	183	139
Packaging income	—	209
Interest income	1	1
Others	52	80
	236	429

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Other income and net gains increased from approximately HK\$0.2 million for the year ended 31 March 2016 to approximately HK\$0.4 million for the year ended 31 March 2017. The increase contributed to the increase in packaging income by approximately HK\$0.2 million for the year ended 31 March 2017. Packaging income was charged to consumers who purchased our products through third party e-commerce platform who also purchased our gift-wrapping services. No such packaging income was received for the year ended 31 March 2016 as the e-commerce sales has only commenced in August 2016.

Selling and distribution expenses

Selling and distribution expenses primarily consist salaries expenses, freight and transportation expenses, commission paid, advertising and promotion costs, and sample development costs. The following table sets forth, for the Track Record Period, the components of the selling and distribution expenses and for each component as a percentage of selling and distribution expenses for the years indicated:

	Years ended 31 March			
	2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Salaries expenses	2,352	21.7	2,561	42.3
Freight and transportation expenses	3,833	35.3	1,572	26.0
Commission paid	1,237	11.4	778	12.9
Advertising and promotion costs	232	2.2	741	12.3
Sample development costs	3,193	29.4	145	2.3
Others	—	—	256	4.2
	<u>10,847</u>	<u>100.0</u>	<u>6,053</u>	<u>100.0</u>

Our selling and distribution expenses decreased by approximately HK\$4.7 million or approximately 43.5%, from approximately HK\$10.8 million for the year ended 31 March 2016 to approximately HK\$6.1 million for the year ended 31 March 2017, mainly attributable to the decrease in freight and transportation expenses and sample development costs.

Freight and transportation expenses mainly incurred for the delivery of our homeware products to specified posts in the PRC. The drop of such costs are generally in line with the decreasing trend of revenue for the year ended 31 March 2017 and the change of delivery terms with third party factories from ex-factory price before April 2016 to FOB afterwards since April 2016.

The decrease of sample development costs from approximately HK\$3.2 million to approximately HK\$0.1 million during the Track Record Period due to our management having bargained more favourable commercial terms with some of the major third party factories. Due to the appreciation of USD against RMB during the year ended 31 March 2017, and our Group settled the balances with third party factories in USD, this in turn has partially reduced the cost of third party factories, taking the advantage of foreign exchange fluctuation. Major third party factories have agreed to bear the sample development costs by themselves for the year ended 31 March 2017 which led to a significant drop of such expenses.

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Administrative and other operating expenses

Administrative and other operating expenses primarily consist of staff costs including directors' emoluments, Listing expenses, rent and rates, postage and courier, depreciation, foreign exchange loss, net, bank charges, travelling and motor vehicle expenses, entertainment, auditor's remuneration, compensation paid and loss on disposal of property, plant and equipment. The table below sets forth the components of our administrative and other operating expenses and for each component as a percentage of administrative and other operating expenses during the years indicated:

	Years ended 31 March			
	2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Staff costs, including directors' emoluments	1,834	31.8	2,115	28.7
Listing expenses	—	—	1,650	22.4
Rent and rates	1,417	24.6	1,522	20.6
Postage and courier	346	6.0	345	4.7
Depreciation	288	5.0	318	4.3
Foreign exchange loss, net	444	7.7	243	3.3
Bank charges	194	3.4	193	2.6
Travelling and motor vehicle expenses	236	4.1	151	2.0
Entertainment	250	4.3	133	1.8
Auditor's remuneration	54	0.9	92	1.2
Compensation paid	267	4.6	45	0.6
Loss on disposal of property, plant and equipment	—	—	16	0.2
Others	435	7.6	558	7.6
	<u>5,765</u>	<u>100.0</u>	<u>7,381</u>	<u>100.0</u>

Administrative and other operating expenses increased by approximately HK\$1.6 million, from approximately HK\$5.8 million for the year ended 31 March 2016 to approximately HK\$7.4 million for the year ended 31 March 2017, mainly due to Listing expenses of approximately HK\$1.7 million incurred for the year ended 31 March 2017.

Finance costs

Finance costs mainly consist of interest expenses on bank overdrafts and bank borrowings. Our finance costs generally fluctuated according to the balance of bank borrowings from approximately HK\$1.3 million to approximately HK\$0.4 million as at 31 March 2016 and 2017, respectively.

Income tax expenses

Income tax expenses solely represented the Hong Kong profit tax of our Hong Kong subsidiaries. The applicable income tax rate was 16.5% for the two years ended 31 March 2017.

Our income tax expenses increased to approximately HK\$2.4 million for the year ended 31 March 2017 from approximately HK\$1.9 million for the year ended 31 March 2016, primarily due to the increase in profit before tax by approximately 13.4%. The effective income tax rate (calculated as

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income tax expenses divided by profit before tax) of our Group increased to approximately 18.6% for the year ended 31 March 2017 from approximately 16.9% for the year ended 31 March 2016 due to the Listing expenses of approximately HK\$1.7 million being not deductible for tax purposes.

Our Directors confirm that we have paid all relevant income taxes and that we are not aware of any disputes and/or unsolved tax issues raised by any relevant tax authorities.

Profit for the year

Profit for the year increased by approximately HK\$1.0 million from approximately HK\$9.3 million for the year ended 31 March 2016 to approximately HK\$10.3 million for the year ended 31 March 2017.

Net profit margin increased from approximately 10.9% for the year ended 31 March 2016 to approximately 15.8% for the year ended 31 March 2017, as a result of increase in gross profit margin from approximately 32.3% for the year ended 31 March 2016 to approximately 39.5% for the year ended 31 March 2017, and decrease of selling and distribution expenses by approximately 43.5%, while offset by the increase of administrative and other operating expenses by approximately 27.6% due to the Listing expenses of approximately HK\$1.7 million incurred for the year ended 31 March 2017.

Except for the period from 11 December 2000 to 31 March 2002 and each of the years ended 31 March 2003 and 2010, our Group recorded profits for each of the years since our incorporation. As a result, our Group had retained earnings of approximately HK\$3.9 million as at the beginning of the year ended 31 March 2016. Nevertheless, for the two years ended 31 March 2017, net profit of our Group improved to approximately HK\$9.3 million and HK\$10.3 million respectively which was mainly due to (i) the increase in gross profit and gross profit margin compared to that of the years prior to the Track Record Period. Our Group has maintained a relatively stable gross profit margin during the four years ended 31 March 2016 ranging from approximately 30.7% to 33.6% and our gross profit margin reached approximately 39.5% for the year ended 31 March 2017. After our Group's efforts on broadening customer base and expanding product offerings in previous years, our Group has established relationships with our major customers which are international brand owners and licensee, chain supermarkets and renowned department stores. During the Track Record Period, we are able to procure more sales orders from our customers with a relatively high gross profit margin, for example, revenue from Kahler Design A/S for the year ended 31 March 2013 contributed to approximately 5.4% of our total revenue in whereas those contributed to approximately 24.3% of our total revenue for the year ended 31 March 2017. In addition, by strengthening our product design and development capabilities, our Group has been engaged in the product design and development for certain customers and recorded a higher gross profit margin accordingly. For example, being responsible for the product design and development for Customer C, gross profit margin recorded from the sales to Customer C increased from approximately 15.9% for the year ended 31 March 2014 to approximately 33.9% for the year ended 31 March 2017; and (ii) our Group's ability to negotiate and obtain more favourable commercial terms with some of the major third party factories (namely 潮州市潮安區正韻陶瓷實業有限公司 and 惠州市鋒業工藝有限公司) during the year ended 31 March 2016 to decrease the sample development costs and freight and transportation expenses during the Track Record Period as compared to that of the years prior to the Track Record Period. Our Directors consider that these third party factories are willing to absorb these costs with an aim to attract more purchase orders as they had made profit and experience from this customer account with an established relationship. Moreover, our Group was a major customer of 潮州市潮安區正韻陶瓷實業有限公司 in which our purchases accounted for approximately 85.0% and

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80.0% of its total revenue for the two years ended 31 March 2017, respectively. Our Directors also consider that the third party factories have benefited from the appreciation of USD which is the general settlement currency of the Group throughout the Track Record Period and they agreed to absorb some of our costs after arm's length negotiations in order to maintain business relationship with the Group.

According to the Industry Report, the homeware manufacturing industry is competitive and customers have strong bargaining power over the factories. In order to attract customers and capture more businesses, the third party factories may offer different discounts or preferential terms to its customers, for example, some may bear the costs of sample development. As such, it is considered that the Group's strong bargaining power over its third party factories is reasonable and in line with normal commercial terms.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our principal sources of liquidity and capital resources have been, and are expected to continue to be, cash flow from operating activities and borrowings from banks. Our principal uses of cash have been, and we expect will continue to be, for the funding of required working capital to support an increase in our scale of operations. We may consider additional debt or equity financing, depending on market conditions, the financial performance and other relevant factors. No assurance can be given that we will be able to raise additional capital, should that become necessary, on terms acceptable to us or at all. Please see "Future Plans and Use of Proceeds — Use of Proceeds".

The following table is a summary of our consolidated statements of cash flows:

	Years ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	5,860	5,262
Net cash (used in)/generated from investing activities	(941)	181
Net cash used in financing activities	(1,007)	(1,218)
Effect of foreign exchange rate changes	(3)	(19)
Net increase in cash and cash equivalents	3,909	4,206
Cash and cash equivalents at beginning of year	1,055	4,964
Cash and cash equivalents at end of the year	4,964	9,170

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Cash flows from operating activities

Our cash generated from operating activities reflects profit before income tax, adjusted for (i) depreciation; (ii) loss on disposal of property, plant and equipment, (iii) interest income and (iv) finance costs.

We had net cash generated from operating activities of approximately HK\$5.9 million for the year ended 31 March 2016 resulting from cash generated from operations of approximately HK\$6.1 million offset by interest paid of approximately HK\$72,000 and Hong Kong Profits Tax paid of approximately HK\$0.2 million. Our cash generated from operating activities consisted of cash flows of approximately HK\$11.6 million before net working capital outflows of approximately HK\$5.5 million. The net working capital outflows were primarily due to increase in trade receivables of approximately HK\$0.9 million, increase in prepayments, deposits and other receivables of approximately HK\$4.6 million and decrease in deposits received in advance of approximately HK\$0.5 million, offset by increase in trade and other payables and accruals of approximately HK\$0.2 million and increase in amount due to a related company of approximately HK\$0.4 million.

The increase in trade receivables was mainly due to increase in sales of homeware products. The increase in prepayments, deposits and other receivables was primarily due to the increase in prepayments made for goods purchased from some third party factories who required more trade deposits. The decrease in deposits received in advance was mainly due to offsetting such amounts with subsequent sales which was placed by new customers of our Group. The increase in amount due to a related company was primarily due to purchase of goods from a related company during the year ended 31 March 2016.

We had net cash generated from operating activities of approximately HK\$5.3 million for the year ended 31 March 2017 resulting from cash generated from operations of approximately HK\$8.5 million offset by interest paid of approximately HK\$28,000 and Hong Kong Profits Tax paid of approximately HK\$3.2 million. Our cash generated from operating activities consisted of cash flows of approximately HK\$13.1 million before net working capital outflows of approximately HK\$4.6 million. The net working capital outflows were primarily due to increase in trade receivables of approximately HK\$6.2 million, increase in inventories of approximately HK\$1.3 million, decreases in amount due to a related company of approximately HK\$0.4 million, offset by decrease in prepayments, deposits and other receivables of approximately HK\$3.0 million, increase in trade and other payables and accruals of approximately HK\$0.4 million.

The increase in trade receivables was due to the increase in sales of homeware products recognised in the fourth quarter of the year ended 31 March 2017 which had not been settled prior to 31 March 2017 and increase in the balances of relatively longer credit period to new customers of approximately HK\$0.4 million in 2017 having considered they are sizable and reputable customers whose internal policy requires a longer credit period. Our Directors considered that such longer credit period granted to those new customers do not have material impact on the Group's cash flow management. The increase in inventories was resulted from "SATU BROWN" products maintained at third party e-commerce platform which were ready to sell to our customers. Decrease in amount due to a related company was due to repayment made to a related company of approximately HK\$0.4 million. The decrease in prepayments, deposits and other receivables was primarily due to less prepayment made for purchase of homeware products while offset by increase in prepaid professional fee in relation to the Listing.

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Cash flows from investing activities

During the Track Record Period, our cash outflow from investing activities mainly consisted of purchase of property, plant and equipment and cash movement with a related company. Our cash inflow from investing activities during the Track Record Period mainly consisted of cash advance from a related company and interest received.

We had a net cash outflow from investing activities of approximately HK\$0.9 million for the year ended 31 March 2016 primarily due to increase in amount due from a related company of approximately HK\$0.8 million and payment for purchase of property, plant and equipment of approximately HK\$0.1 million.

We had a net cash inflow from investing activities of approximately HK\$0.2 million for the year ended 31 March 2017 primarily due to the decrease in amount due from a related company of approximately HK\$0.5 million and partially offset by the purchase of property, plant and equipment of approximately HK\$0.3 million.

Cash flows from financing activities

During the Track Record Period, our cash outflow from financing activities mainly consisted of the repayment of bank borrowings and cash movement with shareholders and non-controlling shareholder. Our cash inflow from financing activities consisted of cash advance from shareholders and non-controlling shareholder.

We had a net cash outflow from financing activities of approximately HK\$1.0 million for the year ended 31 March 2016 primarily resulted from the repayment of bank borrowings of approximately HK\$0.8 million and the decrease in amounts due to shareholders of approximately HK\$0.3 million.

We had a net cash outflow from financing activities of approximately HK\$1.2 million for the year ended 31 March 2017 primarily due to the repayment of bank borrowings of approximately HK\$0.8 million and the decrease in amount due to a non-controlling shareholder of approximately HK\$0.4 million.

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Net current assets

The following table set out our current assets, current liabilities and net current assets as at 31 March 2016 and 2017 and 31 August 2017:

	As at		
	31 March		31 August
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>
Current assets			
Inventories	—	1,342	1,487
Trade receivables	8,356	14,543	16,307
Prepayments, deposits and other receivables	4,885	1,909	3,950
Amount due from a related company	2,205	1,730	1,730
Bank and cash balances	<u>4,964</u>	<u>9,170</u>	<u>8,818</u>
	<u>20,410</u>	<u>28,694</u>	<u>32,292</u>
Current liabilities			
Trade payables	2,613	2,871	7,052
Other payables and accruals	423	544	272
Deposits receipt in advance	191	240	348
Amounts due to shareholders	1,118	1,143	1,406
Amount due to non-controlling interests	405	—	—
Amount due to a related company	421	—	—
Current tax liabilities	1,778	888	406
Finance lease obligation	—	—	155
Bank borrowings	<u>1,265</u>	<u>427</u>	<u>—</u>
	<u>8,214</u>	<u>6,113</u>	<u>9,639</u>
Net current assets	<u>12,196</u>	<u>22,581</u>	<u>22,653</u>

Our Group recorded net current assets of approximately HK\$12.2 million, HK\$22.6 million and HK\$22.7 million as at 31 March 2016 and 2017 and 31 August 2017 respectively.

The change of net current assets to approximately HK\$22.6 million as of 31 March 2017 from approximately HK\$12.2 million as of 31 March 2016, was primarily due to (i) the increase in trade receivables of HK\$6.2 million; (ii) the increase in bank and cash balances of approximately HK\$4.2 million; and (iii) the decrease of bank borrowings and current tax liabilities of an aggregate of approximately HK\$1.7 million as such amounts were paid in 2017; notwithstanding a decrease of prepayments, deposits and other receivables of approximately HK\$3.0 million. The amount due from a related company as at 31 March 2017 was non-trade nature and will be fully settled upon Listing. The amounts due to shareholders as at 31 March 2017 was trade nature and will be fully settled upon Listing.

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Our net current assets as at 31 August 2017 was almost the same as our net current assets as at 31 March 2017 with slight increase of approximately 0.3%. Our current assets increased by approximately 12.5%, primarily attributable to the increase in trade receivables by approximately HK\$1.8 million and increase in prepayments, deposits and other receivables by approximately HK\$2.0 million. Increase in trade receivables was because our Group recorded higher sales during July and August 2017 than such sales during February and March 2017 as the demand for our products is generally higher in second quarter of our financial year. Increase in prepayments, deposits and other receivables primarily represented prepaid Listing expenses during the period. Our current liabilities also increased by approximately 57.7%, primarily attributable to the increase in trade payables by approximately HK\$4.2 million which is consistent to the increase in trade receivables due to the higher sales during July and August 2017 as compared to sales in February and March 2017. However, such increase was partially offset by the full repayment of bank borrowings in June 2017.

ANALYSIS OF VARIOUS ITEMS FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment mainly consisted of (i) leasehold improvements, (ii) motor vehicles and (iii) furniture and equipment. The carrying amount of property, plant and equipment was approximately HK\$0.7 million as at 31 March 2017 and approximately HK\$0.8 million as at 31 March 2016. The decrease in plant and equipment was mainly a result of depreciation expenses recorded during the Track Record Period.

Inventories

We did not maintain any inventory as at 31 March 2016 as we have adopted a made-to-order strategy. Third party factories will arrange inland transportation logistics and the shipping forwarders engaged by our customers will be responsible for shipment arrangement. Our inventories as at 31 March 2017 only represented our “SATU BROWN” products which were ready to be sold to our customers through third party e-commerce platform. The value of our inventory accounted for approximately 4.7% of our total current assets as at 31 March 2017.

Our policy on obsolete or damaged inventories is to write off such inventories when our management considers that the obsolete or damaged inventories have no residual value.

During the year ended 31 March 2017, we have neither written off nor made any provision on any inventory due to damage or obsolescence as we have not experienced any significant change or loss in respect of our inventories throughout the said period.

As at the Latest Practicable Date, approximately 32.8% of inventories as at 31 March 2017 were subsequently sold. The remaining inventories mainly represent home decorations for Christmas holidays and magnetic board puzzles games and having considered the product nature of these inventories, our Directors consider no provision and written off will be made.

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The following table set forth the average inventory turnover days during the years indicated:

	Years ended at 31 March	
	2016	2017
Inventory turnover days (<i>Note</i>)	N/A	146

Note: Inventory turnover days is equal to the ending inventory balance as at 31 March 2017 divided by the respective cost of sales of “SATU BROWN” products and multiplied by 240 days, being number of days we commenced sales of “SATU BROWN” products since August 2016.

Trade receivables

The credit period granted to our major customers in general ranged from 30 days to 120 days. For new customers, payment in advance is normally required. Our Group does not hold any collateral over trade receivables during the Track Record Period.

Set out below is the ageing analysis of our trade receivables, based on delivery date for the Track Record Period:

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	1,885	10,373
31 to 60 days	2,166	1,383
61 to 120 days	4,100	2,682
Over 120 days	205	105
	8,356	14,543

The increase in trade receivables from approximately HK\$8.4 million as at 31 March 2016 to approximately HK\$14.5 million as at 31 March 2017, representing an increase of approximately 72.6%. The growth was resulted from the increase of sales in the fourth quarter of the year ended 31 March 2017 of approximately HK\$2.9 million as compared to the same period of previous financial year, mainly attributable to two major customers which have deferred their sales orders from third quarter to the fourth quarter of the year ended 31 March 2017.

Set out below is our Group’s average trade receivables turnover days during the Track Record Period:

	Years ended 31 March	
	2016	2017
Average trade receivables turnover days (<i>Note</i>)	34	64

Note: Average trade receivables turnover days is equal to the average of the beginning and ending balances of trade receivables for the year divided by revenue for the year multiplied by 365 days for a year.

FINANCIAL INFORMATION

Our average trade receivables turnover days were 34 days for the year ended 31 March 2016 and 64 days for the year ended 31 March 2017, of which those were in line with the general credit period granted to our customers ranging from 30 to 120 days. The increase in the average trade receivables turnover days was mainly due to the increase in sales of homeware products in the fourth quarter for the year ended 31 March 2017 which had not been settled as at 31 March 2017 and the portion of sales to customers with credit period of 120 days increased as compared to the same quarter of 2016. Our Group recorded revenue of approximately HK\$15.6 million and HK\$18.5 million in the fourth quarter of the years ended 31 March 2016 and 2017 respectively.

Our Group seeks to maintain strict control over our outstanding trade receivables. Overdue balances are reviewed regularly by our Directors. The following table sets out the ageing analysis of trade receivables which are past due but not impaired:

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	1,270	700
Over 30 days	—	221
	1,270	921

Included in our trade receivables balances were debtors with an aggregate carrying amount of approximately HK\$1.3 million and HK\$0.9 million as at 31 March 2016 and 2017 respectively which were past due for which we have not provided for impairment loss as these balances were related to trade receivables from a number of independent customers of whom there was no recent history of default. No allowance for doubtful debts was recognised for the two years ended 31 March 2017. Trade receivables are individually impaired and recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Our Directors consider that there has not been significant change in credit quality of trade receivables and there is no recent history of default, therefore the amounts are considered recoverable. Our Directors confirm that we did not experience customer default or cancellation of customer order during the Trace Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, all trade receivables outstanding as at 31 March 2017 were settled.

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Prepayments, deposits and other receivables

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments		
Purchase of homeware products	4,688	1,148
Listing expenses	—	550
Administrative and operating expenses	<u>15</u>	<u>13</u>
	4,703	1,711
Rental and utility deposits	182	186
Other receivables	<u>—</u>	<u>12</u>
	<u><u>4,885</u></u>	<u><u>1,909</u></u>

Prepayments primarily include prepayments for purchase of homeware products, prepaid professional fees associated with the Listing of the Company. As at 31 March 2016 and 2017, balances of prepayments was approximately HK\$4.7 million and HK\$1.7 million respectively, which was mainly attributable to the drop of prepayment for purchase of homeware products by approximately HK\$3.5 million but partially offset by the prepaid Listing expenses of approximately HK\$0.6 million.

Prepayment for purchase of homeware products is paid to certain third party factories in order to secure their production capacity for the sales orders received from our customers. A prepayment of approximately HK\$3.2 million was mainly paid to our largest third party factory for more sales orders received from major customers by the last quarter for the year ended 31 March 2016, of which the transactions were completed in the first quarter for the year ended 31 March 2017. The drop of balances mainly represented the decrease of sales orders received from these major customers by the last quarter of year ended 31 March 2017 as compare to same period of 2016.

Trade payables

As at 31 March 2016 and 2017, most of the outstanding trade payables were within 90 days from the invoice date, in line with the general credit period granted by third party factories. The following table sets out the ageing analysis of trade payables, based on the date of receipt of goods as of the end of each year during the Track Record Period:

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	2,563	2,786
91 to 180 days	50	35
Over 180 days	<u>—</u>	<u>50</u>
	<u><u>2,613</u></u>	<u><u>2,871</u></u>

FINANCIAL INFORMATION

Our trade payables are mainly generated from the purchase of homeware products from third party factories. The payment period of individual factories is agreed on a case-by-case basis. The credit period granted by third party factories generally ranges from 0 to 30 days.

As at the Latest Practicable Date, all trade payables as at 31 March 2017 were settled.

Set out below was our Group's average trade payables turnover days during the Track Record Period:

	Years ended 31 March	
	2016	2017
Average trade payables turnover days (<i>Note</i>)	<u>16</u>	<u>25</u>

Note: Average trade payables turnover days is equal to the average of the beginning and ending balances of trade payables for the year divided by cost of sales of year and multiplied by 365 days for a year.

Amounts due from/to shareholders, non-controlling interests and related companies

The amounts due from/to these related parties are unsecured, interest-free and have no fixed terms of repayment.

Outstanding amounts due from/to related parties as at 31 March 2017 will be fully settled prior to the Listing.

SELECTED KEY FINANCIAL RATIOS

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

	Years ended 31 March	
	2016	2017
Return on total assets ⁽¹⁾	43.7%	35.0%
Return on equity ⁽²⁾	71.2%	44.2%
Interest coverage ratio ⁽³⁾	156.5 times	454.5 times
	As at 31 March	
	2016	2017
Current ratio ⁽⁴⁾	2.5 times	4.7 times
Quick ratio ⁽⁵⁾	2.5 times	4.5 times
Gearing ratio ⁽⁶⁾	21.3%	6.7%

Notes:

1. Return on total assets is calculated based on the profit divided by total assets as at the respective year end and multiplied by 100%;
2. Return on equity is calculated based on the profit divided by total equity as at the respective year end and multiplied by 100%;

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3. Interest coverage ratio is calculated based on profit before interest and tax divided by interest expenses for the respective year;
4. Current ratio is calculated based on the total current assets divided by the total current liabilities at the respective year end;
5. Quick ratio is calculated based on total current assets less inventories and divided by total current liabilities at the respective year end; and
6. Gearing ratio is calculated based on total debts divided by total equity as at the respective year end and multiplied by 100%. Total debts is defined to include payables incurred not in the ordinary course of business.

Return on total assets

Our return on total assets decreased from approximately 43.7% for the year ended 31 March 2016 to approximately 35.0% for the year ended 31 March 2017, due to a relatively lesser increase in profit for the year compared to the increase in trade receivables and bank and cash balances.

Return on equity

Our return on equity decreased from approximately 71.2% for the year ended 31 March 2016 to approximately 44.2% for the year ended 31 March 2017, mainly due to the increase in equity being greater than the increase in profit. The increase in equity was solely due to the recognition of profit of approximately HK\$10.3 million for the year ended 31 March 2017.

Interest coverage ratio

The interest coverage ratio increased from 156.5 times for the year ended 31 March 2016 to 454.5 times for the year ended 31 March 2017. Such increase was mainly due to the decrease in interest expenses as a result of repayment of bank borrowings during the Track Record Period.

Current ratio

The current ratio increased from 2.5 times as at 31 March 2016 to 4.7 times as at 31 March 2017, mainly due to the higher net current assets position. Such improvement in the financial position was mainly due to the increase in trade receivables by approximately 74.0% and bank and cash balances by approximately 84.7%, mainly attributable to net cash inflow from operations and no significant cash outflows from all other activities during the year ended 31 March 2017.

Quick ratio

Our quick ratio increased from 2.5 times as at 31 March 2016 to 4.5 times as at 31 March 2017. Our quick ratio demonstrated a similar trend as our current ratio and the reasons for the fluctuations are also similar to that of our current ratio.

Gearing ratio

Our gearing ratio decreased from approximately 21.3% as 31 March 2016 to approximately 6.7% as at 31 March 2017. The decrease was mainly attributable to the decrease in bank borrowings and amount due to non-controlling interests during the Track Record Period.

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INDEBTEDNESS

The following table sets forth our Group's indebtedness as at the dates indicated:

	As at		
	31 March		31 August
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>
Non-current liability			
Finance lease obligation	—	—	585
Current liabilities			
Bank borrowings	1,265	427	—
Finance lease obligation	—	—	155
Amounts due to shareholders	1,118	1,143	1,406
Amount due to non-controlling interests	405	—	—
	<u>2,788</u>	<u>1,570</u>	<u>1,561</u>

As at 31 August 2017, being the latest practicable date for the purpose of this indebtedness statement, our Group's indebtedness consisted of finance lease obligation of approximately HK\$0.7 million and amounts due to shareholders of approximately HK\$1.4 million.

As at 31 March 2016 and 2017, our Group had total borrowings (comprising bank borrowings including bank overdrafts, amounts due to shareholders and amount due to non-controlling interests) of approximately HK\$2.8 million and HK\$1.6 million, respectively. The decrease in total indebtedness as at 31 March 2016 compared with 31 March 2017 was mainly due to full settlement of amount due to non-controlling interest and partial repayment of bank borrowings during the year ended 31 March 2017.

Bank borrowings

The following table sets out details of bank borrowings as at the dates indicated:

	As at		
	31 March		31 August
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>
Term loan, secured	1,263	427	—
Bank overdrafts, secured	<u>2</u>	<u>—</u>	<u>—</u>
	<u>1,265</u>	<u>427</u>	<u>—</u>

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The amounts of banking facilities granted and utilised at the dates indicated:

	As at		
	31 March		31 August
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>
Banking facilities granted	4,000	4,000	—
Amount utilised			
— term loan	1,263	427	—
— bank overdrafts	2	—	—

Bank borrowings of approximately HK\$0.4 million as at 31 March 2017 were repayable within one year. Our Group's bank borrowings during the Track Record Period was secured by personal guarantees provided by Mr. She and Ms. Chan and a corporate guarantee from the Hong Kong Mortgage Corporation Limited ("HKMC") of the Hong Kong Special Administrative Region. The bank borrowings as at 31 March 2016 and 2017 were denominated in HK\$ and interest bearing at 2% per annum below the relevant bank's HKD best lending rate. The average effective interest rate per annum at 31 March 2016 and 2017 was approximately 3.0%.

Our Group's bank overdrafts during the Track Record Period were secured by personal guarantees provided by Mr. She, Ms. Chan, Ms. Sze and Mr. Sai Wing Hong and a legal charge over the property owned by Ms. Sze and Mr. Sai Wing Hong. Bank overdrafts were charged at the relevant bank's USD best lending rate plus 5% per annum. The average effective interest rate per annum at 31 March 2016 and 2017 was approximately 5.5%.

Our Directors confirmed that there was no material covenants relating to our banking facilities and there have been no material defaults in payments during the Track Record Period and up to the Latest Practicable Date. All the bank borrowings and overdraft have been settled as at Latest Practicable Date and after full repayment of such banking liabilities, the banking facilities has been cancelled and no guarantee or securities and the documents of title held by the bank.

Finance lease obligation

Our Group acquired a motor vehicle under finance lease in July 2017. As at 31 August 2017, our total finance lease obligation amounted to approximately HK\$0.7 million. The lease term is five years and the flat rate was 2.25% as at 31 August 2017.

The finance lease was secured by a personal guarantee provided by Ms. Chan and the personal guarantee will be released upon Listing.

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WORKING CAPITAL SUFFICIENCY

Our Directors confirm, that after taking into account the amount of net proceeds from the Share Offer, our internal resources and the financial resources presently available to us, we have sufficient working capital for our present requirements at least the next 12 months from the date of this prospectus.

CAPITAL EXPENDITURE AND COMMITMENTS

For the two years ended 31 March 2017, we incurred capital expenditure in relation to the purchase of additional property, plant and equipment of approximately HK\$0.1 million and HK\$0.3 million respectively. The following table sets forth our Group's capital expenditure during the Track Record Period:

	Years ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Furniture and equipment	137	131
Leasehold improvements	<u>—</u>	<u>164</u>
Total	<u><u>137</u></u>	<u><u>295</u></u>

We have no material capital commitments as at 31 March 2016 and 2017.

OPERATING LEASE COMMITMENTS

Our Group leases our office and showroom under operating lease arrangements. Leases were negotiated for an average term of 3.5 years and 4 years as at 31 March 2016 and 2017, respectively and rental were fixed over the lease terms and do not include contingent rentals. At the end of the Track Record Period, the Group had commitments for future minimum lease payments under non-cancellable leases as follows:

	Years ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,351	1,310
In the second to fifth years inclusive	<u>702</u>	<u>1,063</u>
	<u><u>2,053</u></u>	<u><u>2,373</u></u>

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RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions. For more information on our related party transactions, please see note 30 to our consolidated financial information included in the section headed “Accountants’ Report on Historical Financial Information” in Appendix I to this prospectus. Our Directors have confirmed that these transactions were conducted on normal commercial basis in the ordinary course of business. Our Directors consider that these related party transactions did not distort our results of operation for the Track Record Period, and would not make our historical results not reflective of our future performance.

As at Latest Practicable Date, except for rental expenses payable to Pansino Shenzhen, our Group did not have any other related party transactions. For more information on signed tenancy agreement with Pansino Shenzhen, please refer to section headed “Continuing Connected Transactions” to this prospectus.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, our Group did not have any significant contingent liabilities.

Save as disclosed in section headed “Financial Information — Indebtedness” in this prospectus, and apart from normal trade payables, our Group did not have any other borrowings, charges, debentures, loan capital, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, any material off-balance sheet commitments or any guarantee or arrangements or other material contingent liabilities outstanding.

CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital management

Our Group’s objectives when managing capital are to safeguard our Group’s ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support our Group’s stability and growth.

Our Group sets the amount of capital in proportion to risk. Our Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, our Group may adjust the payment of dividends, issue new shares, buy back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

Our Group monitors capital using a gearing ratio, which is our Group’s total debts (comprising bank borrowings) over its total equity. Our Group’s policy is to keep the gearing ratio at a reasonable level. Our Group’s gearing ratios as at 31 March 2016 and 2017 were approximately 21.3% and 6.7% respectively. The decrease in the gearing ratio of our Group was primarily due to the decrease in the balance of bank borrowings and amount due to non-controlling interests. As at 31 March 2016 and 2017, the ratio of our Group’s total liabilities over total assets were approximately 38.6% and 20.7% respectively.

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Breaches in meeting the financial covenants would permit the lender to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the Track Record Period.

Financial risk management

Our Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk. Our Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group's financial performance.

(a) Foreign currency risk

Our Group is exposed to currency risk as most of its business transactions, assets and liabilities are principally denominated in HKD, RMB, British Pound (“**GBP**”) and USD. Our Group's sales and purchases are primarily denominated and settled in USD. We currently do not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities but we monitor our foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The overall exposure in respect of the carrying amounts of our Group's foreign currency denominated monetary assets and liabilities other than functional currency of the relevant group entities in net position as at 31 March 2016 and 2017 were as follows:

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net monetary assets/(liabilities) denominated in foreign currency		
— US\$	9,273	16,195
— RMB	(218)	(394)
— GBP	1	608

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The following table indicates the approximate change in our Group's profit after tax and retained earnings in response to reasonably possible changes in the foreign exchange rates of RMB and GBP to which our Group had significant exposure at the end of the Track Record Period. The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the change taking place at the beginning of the year and held constant throughout the year.

	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained earnings <i>HK\$'000</i>	Effect on equity <i>HK\$'000</i>
At 31 March 2016			
RMB	5%	— ⁽ⁱ⁾	(10)
RMB	(5%)	— ⁽ⁱ⁾	10
GBP	3%	— ⁽ⁱ⁾	—
GBP	(3%)	— ⁽ⁱ⁾	—
At 31 March 2017			
RMB	6%	(4)	(19)
RMB	(6%)	4	19
GBP	13%	66	—
GBP	(13%)	(66)	—

⁽ⁱ⁾ Represent the amount less than HK\$1,000.

As HKD is pegged to USD, the directors considered that the foreign currency risk exposure between HKD and USD is limited.

(b) Interest rate risk

Our Group's cash flow interest rate risk primarily relates to variable-rate borrowings. It is our Group's policy to keep its borrowing at floating rate of interest so as to minimise the fair value interest rate risk. Our Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, our Directors will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rate for bank borrowings at the end of each of the Track Record Period and assumed that the amount of liabilities outstanding at the end of each of the Track Record Period was outstanding for the whole year.

If interest rates had been 100 basis points higher/lower with all other variables held constant, our Group's consolidated profit after tax for the two years ended 31 March 2017 would decrease/increase by approximately HK\$11,000 and HK\$4,000 respectively, arising mainly as a result of higher/lower interest expense on bank borrowings.

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(c) Credit risk

The credit risk of our Group is primarily attributable to the collectibility of our trade receivables. In order to minimise the credit risk, our Director review the recoverable amount of each individual trade receivables regularly to ensure the adequate impairment losses are recognised for irrecoverable debts. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

Our Group has concentration of credit risk to its trade receivables as our Group's largest customer contributed over 36.4% and 24.3% of the revenue for the two years ended 31 March 2017, respectively and shared nil and approximately 17.9% of the trade receivables at the end of each reporting period. Our Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to the non-recovery of the receivables and there is no recent history of default for our Group's largest customer.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amount due from a related company is closely monitored by our Directors.

The credit risk on bank and cash balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(d) Liquidity risk

Our Group's policy is to regularly monitor its current and expected liquidity requirements and its relationship with its bankers 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 longer term.

(e) Categories of our Group's financial instruments at the years indicated:

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets:		
Loan and receivables (including cash and cash equivalents)	15,707	25,641
Financial liabilities:		
Financial liabilities at amortised cost	<u>6,245</u>	<u>4,985</u>

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DIVIDEND

After the completion of the Share Offer, Shareholders will be entitled to receive dividends declared by the Company. The declaration of, payment and amount of dividends will be subject to the discretion of our Board. We do not have a fixed dividend policy or a pre-determined dividend payout ratio. Our Board may recommend a payment of dividend in the future after taking into account our financial results, Shareholders' interest, general business conditions, strategies and future expansion needs, our capital requirements and availability, possible effects on liquidity and financial position of our Company and such other factors as our Board may consider relevant.

No dividends had been declared by our Group during the Track Record Period. On 21 September 2017, B&C Industries HK declared a dividend of HK\$7.0 million (generated from internal resources) which will be settled before Listing. The dividend distribution record in the past may not be used as reference or basis to determine the level of dividend that may be declared or paid by our Board in the future. Our Board has the absolute discretion to decide whether to declare or distribute dividend in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

LISTING EXPENSES

The estimated Listing expenses primarily comprised of legal and professional fees in relation to the Listing. Our Group expects that the total Listing expenses, which is non-recurring nature, will amount to approximately HK\$23.0 million (based on the mid-point of the indicative range of the Offer Price). Out of the total HK\$2.2 million incurred in Listing expenses, our Group recognised approximately HK\$1.7 million as expenses in the consolidated statements of profit or loss and other comprehensive income for the year ended 31 March 2017. Our Group expects to incur further Listing expenses of approximately HK\$13.2 million subject to completion of the Share Offer (based on the mid-point of the indicative range of the Offer Price), which will be recognised as expenses in the consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2018, and approximately HK\$8.1 million will be capitalised after the Listing. Our Directors wish to inform Shareholders and potential investors that the Group's financial performance and results of operations for the year ending 31 March 2018 will be significantly affected by the estimated expenses in relation to the Listing. Such Listing expenses are a current estimate for reference only and the final amount to be charged to the profit or loss account of our Group for the year ending 31 March 2018 and the amount to be deducted from the Group's capital is subject to change.

DISTRIBUTABLE RESERVES

As at 31 March 2017, our Company did not have any distributable reserve available for distribution to Shareholders.

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UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following table of the unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only and is set out below to illustrate the effect of the Share Offer on the net tangible assets of our Group as at 31 March 2017 as if it had taken place on that date.

	Audited consolidated net tangible assets attributable to owners of the Company as of 31 March 2017⁽¹⁾ HK\$'000	Estimated net proceeds from the Share Offer⁽²⁾ HK\$'000	Unaudited pro forma adjusted net tangible assets HK\$'000	Unaudited pro forma adjusted net tangible assets per Share^{(3)&(5)} HK\$
Based on an Offer Price of HK\$0.20 per Share	<u>23,391</u>	<u>26,775</u>	<u>50,166</u>	<u>0.05</u>
Based on an Offer Price of HK\$0.24 per Share	<u>23,391</u>	<u>36,174</u>	<u>59,565</u>	<u>0.06</u>

Notes:

- (1) The audited consolidated net tangible assets attributable to owners of the Company as of 31 March 2017 arrived from the audited consolidated net assets of HK\$23,391,000 as of 31 March 2017, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 250,000,000 Shares to be issued at indicative Offer Price of HK\$0.20 and HK\$0.24 per Share, respectively, being the low-end price and high-end price, after deduction of the estimated underwriting commission and other estimated listing expense payable by the Company of approximately HK\$26.8 million and HK\$36.2 million, respectively (excluding approximately HK\$2.2 million Listing expenses which has been accounted for prior to 31 March 2017), and does not take into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or options which may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted net tangible assets attributable to owners of the Company does not take into account a dividend of HK\$7.0 million declared by B&C Industries HK on 21 September 2017 and will be settled before Listing. Had the dividend been taken into account, the unaudited pro forma adjusted net tangible assets per Share would be HK\$0.04 (assuming an Offer Price of HK\$0.20 per Share) and HK\$0.05 (assuming an Offer Price of HK\$0.24 per Share), respectively.
- (4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2017.
- (5) The unaudited pro forma adjusted net tangible assets attributable to owners of the Company per Share is calculated based on 1,000,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" of this prospectus assuming the Share Offer has been completed on 31 March 2017 but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of the Shares as described in "Appendix IV — Statutory and General Information" in this Prospectus.

FINANCIAL INFORMATION

DISCLOSURE UNDER THE GEM LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as at the Latest Practicable Date, and to their best knowledge, there were no circumstances which would give rise to a disclosure under Rules 17.15 to 17.21 in Chapter 17 of the GEM Listing Rules.

OFF-BALANCE SHEET TRANSACTIONS

Our Group has not entered into any material off-balance sheet transactions or arrangements during the Track Record Period.

NO MATERIAL ADVERSE CHANGE

Save as the Listing expenses, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 March 2017 (being the date to which the latest audited consolidated financial statements of our Group were prepared), and there is no event since 31 March 2017 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 March 2017, the following significant events have taken place:

- (a) The companies now comprising the Group underwent and completed the Reorganisation on 21 September 2017 in preparation for the Listing. Further details of the Reorganisation are set out in the section headed "History, Development and Reorganisation — Reorganisation" in the Prospectus.
- (b) On 22 September 2017, written resolutions were passed to effect the transactions as set out in the section headed "Statutory and General Information — A. Further Information About Our Group — 3. Written resolutions of all our Shareholders passed on 22 September 2017" in Appendix IV to the Prospectus, certain of which are disclosed as follows:
 - (i) The authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of additional 9,962,000,000 Shares;
 - (ii) The Company's Share Option Scheme was adopted. Details of the Share Option Scheme are set out in the section headed "Statutory and General Information — D. Other Information — 1. Share Option Scheme" in Appendix IV to the Prospectus.
- (c) On 21 September 2017, B&C Industries HK declared a dividend of HK\$7.0 million to the shareholders whose names appear in the register of members as at 21 September 2017 in proportion to their then respective shareholdings.

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Public Offer Underwriters

Emperor Securities Limited

Sunfund Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering initially 25,000,000 Public Offer Shares for subscription by the public in Hong Kong at the Offer Price under the Public Offer on and subject to the terms and conditions of this prospectus and the Application Forms. The Public Offer Underwriters have agreed, severally, but not jointly, on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, without limitation:

- (a) the Listing Department granting Listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and
- (b) the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in its absolute discretion may terminate the Public Offer Underwriting Agreement with immediate effect by giving written notice to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date if:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any change or prospective change (whether or not permanent) in the business or in the business or in the financial or trading position of our Group; or
 - (b) any change or development involving a prospective change or development, or any event or series of event resulting or representing or likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign

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exchange markets and inter-bank markets) in or affecting any of Hong Kong, BVI, Cayman Islands, the PRC or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “**Relevant Jurisdictions**”); or

- (c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
- (d) any new laws or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
- (e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
- (f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or
- (g) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, our Controlling Shareholders, Top Clay, Present Moment, Ms. Chan, Ms. Sze and executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or
- (h) (1) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (2) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (i) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or
- (j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to the severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (k) any change or development involving a prospective change, or a materialisation of any of the risks set out in the section headed “Risk Factors” in this prospectus; or

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- (l) any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar or a material devaluation of Hong Kong dollar against any foreign currency; or
- (m) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (n) a contravention by any member of our Group of the GEM Listing Rules or applicable laws; or
- (o) a prohibition on our Company for whatever reason from allotting the Shares (including the additional Shares that may be allotted and issued by the Company upon the exercise of the Offer Size Adjustment Option) pursuant to the terms of the Share Offer; or
- (p) non-compliance of this prospectus or any aspect of the Share Offer with the GEM Listing Rules or any other applicable laws; or
- (q) an order or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (r) any loss or damage sustained by any member of our Group; or
- (s) any litigation or claim of material importance of any third party being instigated against any member of our Group; or
- (t) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company; or
- (u) the chairman or president of our Company vacating his office; or
- (v) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organisation that it intends to take any such action; or
- (w) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof; or
- (x) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) pursuant to the Companies Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC,

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which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters):

- (a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of our Group taken as a whole; or
 - (b) has or will or may have a material adverse effect on the success of the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
 - (c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (1) for any material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, and/or the Share Offer to be performed or implemented in accordance with its terms or (2) to proceed with or to market the Share Offer on the terms and in the manner contemplated in this prospectus; or
- (ii) the Sole Bookrunner or any of the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:
- (a) any of the warranties given by our Company, our Controlling Shareholders, Top Clay, Present Moment, Ms. Chan, Ms. Sze and executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Sole Bookrunner (in its sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect; or
 - (b) any statement contained in this prospectus, the Application Forms, the formal notice and/or any announcement or advertisement issued by or on behalf of our Company in connection with the Public Offer (including any supplement or amendment thereto) was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if the relevant document was to be issued at that time, constitute a material omission therefrom, or that any forecasts, expressions of opinion, intention or expectation expressed in the relevant document are not, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (c) there has been a material breach on the part of any of our Company, our Controlling Shareholders, Top Clay, Present Moment, Ms. Chan, Ms. Sze and executive Directors of any of the obligations of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement; or
 - (d) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission therefrom; or

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- (e) any material adverse change or development involving a prospective change in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of the Group; or
- (f) approval by the Listing Department of the listing of, and permission to deal in, the Offer Shares to be issued (including any additional Offer Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option) under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (g) we withdraw this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer.

Undertakings to the Public Offer Underwriters

Undertakings by our Company

Our Company has irrevocably and unconditionally undertaken to each of the Sole Sponsor, the Sole Bookrunner, and the Public Offer Underwriters, and each of our Controlling Shareholders, Top Clay, Present Moment, Ms. Chan, Ms. Sze and executive Directors has irrevocably and unconditionally undertaken to and covenanted with the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters that he/she/it will procure our Company that:

- (a) except pursuant to the Share Offer (including pursuant to the exercise of the Offer Size Adjustment Option), the Capitalisation Issue, the exercise of the subscription rights attaching to any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 17.29 (1) to 17.29 (4) of the GEM Listing Rules, without the prior written consent of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), and subject always to the provisions of the GEM Listing Rules, not to offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates (as defined in the Public Offer Underwriting Agreement), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from 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**”);
- (b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or

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any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer (including pursuant to the exercise of the Offer Size Adjustment Option), the Capitalisation Issue or the exercise of the subscription rights attaching to any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 17.29 (1) to 17.29 (4) of the GEM Listing Rules or under Rule 13.18(1) of the GEM Listing Rules;

- (c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”) do any of the acts set out in (a) and (b) above or such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the GEM Listing Rules); and
- (d) in the event that our Company does any of the acts set out in (a) or (b) above after the expiry of the First Six-month Period or the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Provided that none of the above undertakings shall (a) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of its subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

Undertakings by our Controlling Shareholders, Top Clay, Present Moment, Ms. Chan and Ms. Sze

Each of our Controlling Shareholders has jointly and severally represented, warranted and undertaken to and covenanted with our Company, the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters that, except pursuant to the Share Offer (including pursuant to the exercise of the Offer Size Adjustment Option) and unless in compliance with the GEM Listing Rules, he/it shall not, without the prior written consent of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), directly or indirectly, and shall procure that none of his/its close associates (as defined in the GEM Listing Rules) or companies controlled by him/it or any nominee or trustee holding in trust for him/it shall:

- (a) During the First Six-month Period:
 - (i) offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he/it is shown in this

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prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any Shares (or any interest therein or any of the voting or other rights attaching thereto); or

- (ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities or any interest therein; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i) or (ii) or (iii) above, whether any such transaction described in (i) or (ii) or (iii) 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;

provided that the restrictions above shall not apply to any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Cap.155 of the Laws of Hong Kong)), as security for a bona fide commercial loan in accordance with the GEM Listing Rules;

- (b) at any time during the Second Six-month Period, enter into any of the foregoing transactions in (a)(i) or (a)(ii) or (a)(iii) above or agree or contract or publicly announce any intention to enter into any such transactions, provided that the restrictions above shall not apply to any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Cap.155 of the Laws of Hong Kong)), as security for a bona fide commercial loan in accordance with the GEM Listing Rules, if immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or Encumbrances, any of the Controlling Shareholders will cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

Each of Top Clay, Present Moment, Ms. Chan and Ms. Sze hereby jointly and severally represents, warrants, undertakes to and covenants with our Company, the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters that, except pursuant to the Share Offer (including pursuant to the Offer Size Adjustment Option) and unless in compliance with the GEM Listing Rules, she/it shall not, without the prior written consent of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), directly or indirectly, and shall procure that none of her/its close associates or companies controlled by her/it or any nominee or trustee holding in trust for her/it shall, during the First Six-month Period, agree or contract to, or publicly announce any intention to enter into, any transaction described under (a) above.

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Without prejudice to the undertakings of our Controlling Shareholders, Top Clay, Present Moment, Ms. Chan and Ms. Sze above, each of our Controlling Shareholders, Top Clay, Present Moment, Ms. Chan and Ms. Sze further undertakes to the Sole Sponsor, the Sole Bookrunner, the Public Offer Underwriters and our Company that within the First Six-month Period and the Second Six-month Period (as the case may be) he/she/it shall:

- (a) if and when he/she/it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting rights or other rights attaching thereto) or other securities of our Company beneficially owned by him/her/it (or any beneficial interest therein), immediately inform our Company, the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters in writing of such pledge or charge; and
- (b) if and when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company (or any beneficial interest therein) pledged or charged by him/her/it will be disposed of, immediately inform our Company, the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters in writing of such indications.

Undertakings to the Stock Exchange pursuant to the GEM Listing Rules

Undertakings by our Controlling Shareholders

In accordance with Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer or unless in compliance with the requirements of the GEM Listing Rules, it or he shall not, and shall procure that the relevant registered holder(s) shall not, (i) at any time during the period commencing on the date by reference to which disclosure of its or 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 the Shares or other securities of our Company in respect of which it or he is shown by this prospectus to be the beneficial owner; and (ii) at any time during the period of six months from the date on which the period referred to in paragraph (i) 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 (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be our Controlling Shareholder.

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Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange, the Company and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) that he/it will, within the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

- (i) in the event that he/it pledges or charges any of his/its direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, he/it must immediately inform our Company in writing of such pledges or charges immediately thereafter, disclosing the details as specified in Rules 17.43(1) to 17.43(4) of the GEM Listing Rules;
- (ii) having pledged or charged any of his/its interests in the Shares under paragraph (i) above, he/it must immediately in the event that our Controlling Shareholders becomes aware that the pledgee or chargee has disposed of, or intends to dispose of such interest and of the number of securities affected.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the GEM Listing Rules.

Undertaking by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company, our Controlling Shareholders and executive Directors will enter into the Placing Underwriting Agreement with the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Co-Lead Manager, the Placing Underwriters and other parties (if any) 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, subject to the conditions set forth therein, the Placing Underwriters are expected to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that

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pursuant to the Placing Underwriting Agreement, our Company, our Controlling Shareholders and other parties (if any) will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings to the Public Offer Underwriters” above in this section.

Our Company is expected to grant to the Placing Underwriters the Offer Size Adjustment Option, exercisable by the Sole Bookrunner (for itself and on behalf of the Placing Underwriters) at any time before 5:00 p.m. on the business day immediately prior to the date of announcement of the results of applications and the basis of allocation of Public Offer Shares (otherwise it will lapse), to require our Company to allot and issue up to an aggregate of 37,500,000 additional Shares, representing 15% of the number of Offer Shares initially available under the Share Offer, at the Offer Price per Offer Share, solely to cover over allocations, if any, in the Placing.

Commission, fees and expenses

The Public Offer Underwriters will receive a gross underwriting commission of 5.0% of the aggregate Offer Price of the Public Offer Shares initially offered under the Public Offer. For unsubscribed Public Offer Shares reallocated to the Placing and any Placing Shares reallocated from the Placing to the Public Offer, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Placing Underwriter and not the Public Offer Underwriters. The Sole Sponsor will receive a documentation and advisory fee.

Assuming the Offer Price of HK\$0.22 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the aggregate commission, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$23.0 million in total (assuming that the Offer Size Adjustment Option is not exercised), and are payable by our Company with reference to the number of New Shares under the Share Offer respectively.

SPONSOR’S AND UNDERWRITERS’ INTEREST IN OUR COMPANY

The Sole Sponsor will receive a sponsorship fee and a documentation and advisory fee. The Sole Bookrunner and the Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed “Commission, fees and expenses” above.

We have appointed Sunfund Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the full financial year commencing after the Listing Date.

Save for the underwriting commission as disclosed the paragraph headed “Commission, fees and expenses” above and the sponsorship fee and the documentation and advisory fee as disclosed in this paragraph above, none of the Sole Sponsor and the Underwriters is interested legally or beneficially in shares of any members of our Group or 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 members of our Group or has any interest in the Share Offer.

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The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 6A.07 of the GEM Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors and the Sole Bookrunner will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Share Offer.

The Share Offer comprises:

- (i) the Public Offer of initially 25,000,000 Offer Shares (subject to reallocation) in Hong Kong as further described in the paragraph headed “The Public Offer” below in this section; and
- (ii) the Placing of initially 225,000,000 Offer Shares (subject to reallocation and the Offer Size Adjustment Option) to professional, institutional and other investors, as further described in the paragraph headed “The Placing” below in this section.

Investors may either:

- (i) apply for Public Offer Shares under the Public Offer; or
- (ii) apply for or indicate an interest for Placing Shares under the Placing.

but may not do both.

The Offer Shares will represent 25% of our Company’s enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, assuming that the Offer Size Adjustment Option is not exercised. If the Offer Size Adjustment Option is exercised in full, the Offer Shares will represent approximately 27.71% of the issued share capital of our Company immediately following the completion of the Share Offer.

References in this prospectus to applications, application monies or the procedure or applications relate solely to the Public Offer.

THE PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 25,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Share Offer. The number of Offer Shares initially offered under the Public Offer, subject to any reallocation of Offer Shares between the Placing and the Public Offer, will represent a 2.5% of the issued share capital of our Company immediately following the completion of the Share Offer, assuming that the Offer Size Adjustment Option is not exercised.

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 that regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions set out in the paragraph headed “Conditions of the Share Offer” below in this section.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

Allocation of the 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 applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may be allotted more Public Offer Shares 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.

Multiple or suspected multiple applications under the Public Offer and any application for more than 12,500,000 Public Offer Shares, being the 50% of the 25,000,000 Public Offer Shares initially available under the Public Offer are liable to be rejected.

Reallocation

Allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment which would have the effect of increasing the number of Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered under the Share Offer if certain prescribed total demand levels are reached. If the number of Offer Shares validly applied for under the Public Offer represents:

- (i) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 75,000,000 Shares, representing a 30% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (ii) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 100,000,000 Shares, representing a 40% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (iii) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 125,000,000 Shares, representing a 50% of the number of the Offer Shares initially available for subscription under the Share Offer;

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

In addition, the Sole Bookrunner may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the Public Offer is not fully subscribed for, the Sole Bookrunner has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Bookrunner deems appropriate.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Bookrunner.

Applications

Each applicant under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has 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. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he/she/it has been or will be placed or allocated Placing Shares under the Placing.

NO OVERSEAS REGISTRATION

The documents issued and to be issued in connection with the Public Offer will not be registered under applicable securities legislation of any jurisdiction other than Hong Kong.

THE PLACING

Number of Offer Shares initially offered

Our Company is initially offering 225,000,000 Offer Shares for subscription by way of Placing. The Placing Shares will represent 90% of the total number of 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 Offer Shares initially offered under the Placing will represent approximately 22.5% of the issued share capital our Company immediately following the completion of the Share Offer, assuming that the Offer Size Adjustment Option is not exercised.

Allocation

All decisions concerning the allocation of the Placing Shares to the selected professional, institutional and other investors pursuant to the Placing will be made on the basis of, and with reference to, 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 the relevant investor is expected or likely to buy further Shares, or hold or sell the Shares, after the Listing Date. Such allocation is intended to establish a solid and broad Shareholder base for the benefit of our Company and the Shareholders as a whole. In particular, Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that no more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public Shareholders. In addition, our Company and our Directors will use their respective best endeavours to comply or procure the compliance of the minimum public float requirement under the GEM Listing Rules when allocating the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" below in this section.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

No allocation will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

It is expected that the Underwriters (subject to the terms and conditions of the Underwriting Agreements, and subject to our Company and the Sole Bookrunner agreeing to the Placing Price) or selling agents nominated by them, on behalf of our Company will conditionally place the Placing Shares at the Offer Price to selected professional, institutional and other investors in Hong Kong. Such professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary businesses involve dealing in shares and other securities and/or corporate entities which regularly invest in shares and other securities.

Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement described in the paragraph headed “The Public Offer — Reallocation” above in this section, the exercise of the Offer Size Adjustment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

OFFER SIZE ADJUSTMENT OPTION

In connection with the Share Offer, our Company is expected to grant the Offer Size Adjustment Option to the Placing Underwriters, exercisable by the Sole Bookrunner on behalf of the Placing Underwriters, to cover over allocations under the Placing (if any).

Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue, at the final Offer Price, up to an aggregate of 37,500,000 additional new Shares, representing 15% of the Offer Shares initially available under the Share Offer. The Offer Size Adjustment Option can only be exercised by the Sole Bookrunner at any time before 5:00 p.m. on the business day immediately preceding the date of the announcement of the results of allocations and the basis of allocation of the Public Offer Shares; otherwise it will lapse. The Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option will not be used for price stabilisation purpose and are not subject to the Securities and Futures (Price Stabilising) Rules of the SFO (Chapter 571W of the Laws of Hong Kong).

If the Offer Size Adjustment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of the enlarged issued share capital of our Company in issue following completion of the Capitalisation Issue, the Share Offer and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme. The additional net proceeds that we would receive if the Offer Size Adjustment Option is exercised in full (assuming the Offer Price of HK\$0.22 per Share (being the mid-point of the indicative Offer Price range)) are estimated to be approximately HK\$8.3 million, which would be applied to the respective uses as disclosed in the section headed “Future Plans and Use of Proceeds” on a pro-rata basis. Whether or not the Offer Size Adjustment Option has been exercised will be disclosed in the announcement of the results of allocations.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Monday, 9 October 2017 or such later date as the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company may agree, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$0.24 per Offer Share (and expected to be not less than HK\$0.20 per Offer Share), unless otherwise announced, as further explained below. Applicants under the Public Offer must pay, on application, the maximum Offer Price of HK\$0.24 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% transaction levy imposed by the SFC.

Prospective investors of the Offer Shares should be aware that the Offer Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Offer Price stated in this prospectus.

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

The Sole Bookrunner (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the Placing, and with the consent of our Company, reduce the number of Offer Shares offered and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company shall, as soon as practicable following the decision to make such reduction cause to be published on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.bnc.cc notice of the reduction of the indicative Offer Price range. In the absence of any such notice so published, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon by the Sole Bookrunner (on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The level of indications of interests in the Placing and the basis of allocations of the Placing Shares will be announced on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.bnc.cc at or before 9:00 a.m. on Friday, 13 October 2017.

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement and is subject to our Company and the Sole Bookrunner (on behalf of the Underwriters) agreeing on the Offer Price.

Our Company expects to enter into the Placing Underwriting Agreement relating to the Placing on or about the Price Determination Date.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

These underwriting arrangements, including the Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE SHARE OFFER

The Share Offer will be conditional upon, among others:

- (a) the Listing Department granting the approval of the Listing of and permission to deal in the Shares in issue and to be issued pursuant to the Share Offer including Shares which may be allotted and issued upon exercise of the Offer Size Adjustment Option and the option which may be granted under the Share Option Scheme and the Capitalisation Issue;
- (b) the Offer Price having been fixed and the execution and delivery of the Price Determination Agreement between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters); and
- (c) the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of the Placing Underwriters under the Placing Underwriting Agreement becoming unconditional and not being terminated in accordance with their respective terms or otherwise,
- (d) in each case, on or before the dates and times as maybe specified in the Public Offer Underwriting Agreement and the Placing Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If any of the above conditions has not been fulfilled or waived prior to the time(s) and date(s) specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.bnc.cc on the next business day following such lapse. All money received will be refunded to applicants of the Share Offer without interests.

LISTING DATE

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 16 October 2017, it is expected that dealings in the Shares on GEM are expected to commence on Monday, 16 October 2017. The Shares will be traded in board lots of 10,000 Shares. The stock code of the Shares will be 8392.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS, with effect from the Listing Date or any other date that 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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements will affect their rights and interests.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Bookrunner, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- 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 representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Bookrunner may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- are a Director or chief executive officer of our Group and/or any of its subsidiaries;
- are an associate (as defined in the GEM Listing Rules) of any of the above;
- are a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, either (i) use a **WHITE** Application Form or (ii) 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, either (i) use a **YELLOW** Application Form or (ii) give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 September 2017 to 12:00 noon on Friday, 6 October 2017 from:

- (i) the office of the Sole Bookrunner and the Lead Manager:

Emperor Securities Limited
23–24/F, Emperor Group Centre
288 Hennessy Road, Wanchai
Hong Kong

- (ii) the office of the Co-Lead Manager:

Sunfund Securities Limited
Unit 702–3, 7/F
100 Queen's Road Central
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iii) 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	Johnston Road Branch	152–158 Johnston Road, Wan Chai
Kowloon	Prince Edward Road West (Mong Kok) Branch	116–118 Prince Edward Road West, Mongkok
	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin
New Territories	Fo Tan Branch	No. 2, 1/F Shatin Galleria, 18–24 Shan Mei Street, Fo Tan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 September 2017 until 12:00 noon on Friday, 6 October 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from 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 — SATU HOLDINGS 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:

Friday, 29 September 2017	—	9:00 a.m. to 5:00 p.m.
Saturday, 30 September 2017	—	9:00 a.m. to 1:00 p.m.
Tuesday, 3 October 2017	—	9:00 a.m. to 5:00 p.m.
Wednesday, 4 October 2017	—	9:00 a.m. to 5:00 p.m.
Friday, 6 October 2017	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 6 October 2017, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Applications Lists” in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 the **HK eIPO White Form** service, among other things, 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:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Bookrunner (or its 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;
- (ii) agree to comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;
- (iii) 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;
- (iv) 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;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Co-Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Public Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) 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;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Bookrunner, the Lead Manager, the Co-Lead Manager, 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;
- (ix) 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 Sole Bookrunner, the Lead Manager, the Co-Lead Manager and the Underwriters nor any of their

HOW TO APPLY FOR PUBLIC OFFER SHARES

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;

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) 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 certificate(s) 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;
- (xvi) 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;
- (xvii) understand that our Company, the Directors, the Sole Bookrunner and the Lead Manager, the Co-Lead Manager and the Underwriters 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;
- (xviii) (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 or by any one as your agent or by any other person; and
- (xix) (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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 “2. Who can apply” 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 Friday, 29 September 2017 until 11:30 a.m. on Friday, 6 October 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 6 October 2017 or such later time under the “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

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).

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 money 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 (<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 Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

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 Bookrunner and our 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (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;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (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;
 - confirm that you understand that our Company, the Directors and the Sole Bookrunner, the Lead Manager, the Co-Lead Manager and the Underwriters 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 to send share certificate(s) and/or 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 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 causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of our Company, the Sole Bookrunner, the Lead Manager, the Co-Lead Manager, 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 your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Bookrunner, the Lead Manager, the Co-Lead Manager, the Underwriters and/or their respective advisers and agents;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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, 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 the giving of **electronic application instructions** to apply for 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 the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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:

- 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;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- 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 10,000 Public Offer Shares. Instructions for more than 10,000 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:

Friday, 29 September 2017	—	9:00 a.m. to 8:30 p.m.	⁽¹⁾
Tuesday, 3 October 2017	—	8:00 a.m. to 8:30 p.m.	⁽¹⁾
Wednesday, 4 October 2017	—	8:00 a.m. to 8:30 p.m.	⁽¹⁾
Friday, 6 October 2017	—	8:00 a.m.	⁽¹⁾ to 12:00 noon

Note:

- (1) 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 Friday, 29 September 2017 until 12:00 noon on Friday, 6 October 2017 (24 hours daily, except on the last application day).

HOW TO APPLY FOR PUBLIC OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 6 October 2017, 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.

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 Sole Bookrunner, the Lead Manager, the Co-Lead Manager, 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, the Directors, the Sponsor, the Sole Bookrunner, the Lead Manager, the Co-Lead Manager 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 should either (i) submit a

HOW TO APPLY FOR PUBLIC OFFER SHARES

WHITE or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 6 October 2017.

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:

- the principal business of that company is dealing in securities; and
- 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 Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 10,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table or otherwise permitted in the Application Form, or as otherwise specified on the designated website www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed “Structure and Conditions of the Share Offer” 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 tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 6 October 2017. 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 Friday, 6 October 2017 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 the prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Friday, 13 October 2017 on our Company’s website at www.bnc.cc and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers (where appropriate) of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at www.bnc.cc and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Friday, 13 October 2017;
- 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 Friday, 13 October 2017 to 12:00 midnight on Thursday, 19 October 2017;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 13 October 2017 to Wednesday, 18 October 2017 (excluding Saturday and Sunday);
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 13 October 2017 to Monday, 16 October 2017 at all the receiving bank designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it 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 OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC 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.

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 applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Bookrunner, 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.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Department of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Department notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- 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;
- your Application Form is not completed in accordance with the stated instructions;
- 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;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Bookrunner believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% 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 Offer Price as finally determined is less than the maximum offer price of HK\$0.24 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed "Structure and Conditions of the Share Offer — Conditions of the Share Offer" in this prospectus or if any application is revoked, the application

HOW TO APPLY FOR PUBLIC OFFER SHARES

monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 13 October 2017.

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:

- 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
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, 13 October 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 16 October 2017 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Personal Collection

(i) 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) 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 Friday, 13 October 2017 or such other date as notified 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 specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 13 October 2017, by ordinary post and at your own risk.

(ii) 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 your 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 Friday, 13 October 2017, 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 into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 13 October 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "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 Friday, 13 October 2017 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.

(iii) 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 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 Friday, 13 October 2017, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

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 Friday, 13 October 2017 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.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Friday, 13 October 2017, 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 in the manner specified in "Publication of Results" above on Friday, 13 October 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 13 October 2017 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.
- 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 Friday, 13 October 2017. 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 and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 13 October 2017.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM 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.

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

The following is the text of a report set out on pages I-1 to I-51, received from the Company's reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

29 September 2017

The Board of Directors
Satu Holdings Limited
Sunfund Capital Limited

Dear Sirs,

INTRODUCTION

We report on the historical financial information of Satu Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-51, which comprises the statement of financial position of the Company as at 31 March 2017 and the consolidated statements of financial position of the Group as at 31 March 2016 and 2017 and 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 for each of the two years ended 31 March 2016 and 2017 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-51 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 September 2017 (the “Prospectus”) in connection with the initial listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.



REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 March 2017 and the Group's financial position as at 31 March 2016 and 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.



**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES
ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG
LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS)
ORDINANCE**

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

RSM Hong Kong
Certified Public Accountants
Hong Kong

29 September 2017

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

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 Track Record Period, on which the Historical Financial Information is based, were audited by RSM Hong Kong in accordance with Hong Kong Standards on Auditing ("HKSA's") issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HKD") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	<i>Note</i>	Year ended 31 March	
		2016	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	7	85,669	65,224
Cost of sales	8	<u>(58,025)</u>	<u>(39,492)</u>
Gross profit		27,644	25,732
Other income and net gains	7	236	429
Selling and distribution expenses		(10,847)	(6,053)
Administrative and other operating expenses		<u>(5,765)</u>	<u>(7,381)</u>
Profit from operations		11,268	12,727
Finance costs	9	<u>(72)</u>	<u>(28)</u>
Profit before tax		11,196	12,699
Income tax expense	10	<u>(1,890)</u>	<u>(2,363)</u>
Profit for the year	11	<u><u>9,306</u></u>	<u><u>10,336</u></u>
Attributable to:			
Owners of the Company		9,432	10,347
Non-controlling interests ("NCI")		<u>(126)</u>	<u>(11)</u>
		<u><u>9,306</u></u>	<u><u>10,336</u></u>
Earnings per share for profit attributable to owners of the Company			
Basic and diluted	15	<u><u>N/A</u></u>	<u><u>N/A</u></u>

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION
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B. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	9,306	10,336
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	_____(3)	_____(19)
Other comprehensive income for the year, net of tax	_____(3)	_____(19)
Total comprehensive income for the year	<u>9,303</u>	<u>10,317</u>
Attributable to:		
Owner of the Company	9,428	10,321
NCI	_____(125)	_____(4)
	<u>9,303</u>	<u>10,317</u>

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

C. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March	
		2016	2017
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	16	768	729
Deferred tax assets	17	<u>110</u>	<u>81</u>
		<u>878</u>	<u>810</u>
Current assets			
Inventories	19	—	1,342
Trade receivables	20	8,356	14,543
Prepayments, deposits and other receivables	21	4,885	1,909
Amount due from a related company	22	2,205	1,730
Bank and cash balances	23	<u>4,964</u>	<u>9,170</u>
		<u>20,410</u>	<u>28,694</u>
Current liabilities			
Trade payables	24	2,613	2,871
Other payables and accruals	24	423	544
Deposits receipt in advance	24	191	240
Amounts due to shareholders	22	1,118	1,143
Amount due to a NCI shareholder	22	405	—
Amount due to a related company	22	421	—
Current tax liabilities		1,778	888
Bank borrowings	25	<u>1,265</u>	<u>427</u>
		<u>8,214</u>	<u>6,113</u>
Net current assets		<u>12,196</u>	<u>22,581</u>
NET ASSETS		<u>13,074</u>	<u>23,391</u>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	26	20	20
Reserves		<u>13,333</u>	<u>23,371</u>
		13,353	23,391
NCI		<u>(279)</u>	<u>—</u>
TOTAL EQUITY		<u>13,074</u>	<u>23,391</u>

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

D. STATEMENTS OF FINANCIAL POSITION

	<i>Note</i>	As at 31 March 2017 HK\$'000
Current assets		
Prepayments	21	<u>550</u>
Current liabilities		
Due to a subsidiary		<u>550</u>
		<u>—</u>
NET ASSETS		<u><u>—</u></u>
Capital and reserves		
Share capital	26	—
Retained earnings		<u>—⁽ⁱ⁾</u>
TOTAL EQUITY		<u><u>—</u></u>

⁽ⁱ⁾ The Company has not commenced business since its incorporation to the date of this Prospectus.

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

E. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Total equity HK\$'000
	Share capital HK\$'000 <i>(note 27(b)(i))</i>	Other reserve HK\$'000 <i>(note 27(b)(i))</i>	Foreign currency translation reserve HK\$'000 <i>(note 27(b)(ii))</i>	Retained earnings HK\$'000	Total HK\$'000	NCI HK\$'000	
At 1 April 2015	20	5	(16)	3,916	3,925	(154)	3,771
Profit and total comprehensive income for the year	—	—	(4)	9,432	9,428	(125)	9,303
At 31 March 2016 and 1 April 2016	20	5	(20)	13,348	13,353	(279)	13,074
Profit and total comprehensive income for the year	—	—	(26)	10,347	10,321	(4)	10,317
Acquisition of NCI	—	3	8	(294)	(283)	283	—
At 31 March 2017	<u>20</u>	<u>8</u>	<u>(38)</u>	<u>23,401</u>	<u>23,391</u>	<u>—</u>	<u>23,391</u>

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

F. STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained earnings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
On incorporation	—	—	—
Profit and total comprehensive income for the period	—	— ⁽ⁱ⁾	—
At 31 March 2017	—	— ⁽ⁱ⁾	—

⁽ⁱ⁾ The Company has not commenced business since its incorporation to the date of this Prospectus.

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

G. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	11,196	12,699
Adjustments for:		
Depreciation	288	318
Interest income	(1)	(1)
Finance costs	72	28
Loss on disposal of property, plant and equipment	—	16
	<u>11,555</u>	<u>13,060</u>
Operating profit before working capital changes	11,555	13,060
Increase in trade receivables	(914)	(6,187)
Increase in inventories	—	(1,342)
(Increase)/decrease in prepayments, deposits and other receivables	(4,625)	2,976
Increase in trade payables	10	258
Increase in other payables and accruals	188	121
(Decrease)/increase in deposits receipt in advance	(528)	49
Increase/(decrease) in amount due to a related company	416	(421)
	<u>6,102</u>	<u>8,514</u>
Cash generated from operations	6,102	8,514
Hong Kong Profits Tax paid	(170)	(3,224)
Finance costs paid	(72)	(28)
	<u>5,860</u>	<u>5,262</u>
Net cash generated from operating activities	<u>5,860</u>	<u>5,262</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(137)	(295)
Interest received	1	1
(Increase)/decrease in amount due from a related company	(805)	475
	<u>(941)</u>	<u>181</u>
Net cash (used in)/generated from investing activities	<u>(941)</u>	<u>181</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	(811)	(838)
(Decrease)/increase in amounts due to shareholders	(290)	25
Increase/(decrease) in amount due to a NCI shareholder	94	(405)
	<u>(1,007)</u>	<u>(1,218)</u>
Net cash used in financing activities	<u>(1,007)</u>	<u>(1,218)</u>
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>(3)</u>	<u>(19)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,909	4,206
CASH AND CASH EQUIVALENTS AT 1 APRIL	<u>1,055</u>	<u>4,964</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	<u>4,964</u>	<u>9,170</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	4,981	9,170
Bank overdrafts	(17)	—
	<u>4,964</u>	<u>9,170</u>

H. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Satu Holdings Limited (the “Company”) was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Unit No.04, 25th Floor, Nanyang Plaza, No.57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in trading and designing of homeware products (the “Listing Business”). Details of the principal activities of its subsidiaries are set out on page I-12 and I-13 to the Financial Information.

In the opinion of the directors of the Company, as at the date of this report, Hearthfire Limited, a company incorporated in the BVI, is the immediate and ultimate parent, and Mr. She Leung Choi (“Mr. Bruce She”) who is a director of the Company, is the ultimate controlling party of the Company.

As at the date of this report, the Company had direct and indirect interests in the following subsidiaries.

Name of subsidiary	Date and place of incorporation/ establishment	Particular of issued share capital	Equity interests attributable to the Group	Principal activities
Directly held by the Company				
B & C Industries (BVI) Limited (“B&C BVI”)	7 April 2017 British Virgin Islands (“BVI”)	United States Dollar (“USD”)1	100%	Investment holding
Indirectly held by the Company				
B & C Industries Limited (“B&C HK”)	11 December 2000 Hong Kong	10,000 ordinary shares	100%	Designing, developing and sales of homeware products
Satu Brown International Limited (“Satu Brown HK”)	1 November 2013 Hong Kong	10,000 ordinary shares	100%	Designing and sales of “Satu Brown” branded products
South Technology (International) Limited (“South Technology HK”)	15 July 2013 Hong Kong	100 ordinary shares	100%	Marketing and sales of “Satu Brown” branded products
Satu Fashion Products (Shenzhen) Company Limited (<i>note (i)</i>) 舍圖時尚用品(深圳)有限公司 (“Satu Shenzhen”)	30 April 2014 The People’s Republic of China (“PRC”)	Renminbi (“RMB”) 500,000	100%	Designing of “Satu Brown” branded products
South Technology Business (Shenzhen) Company Limited (<i>note (i)</i>) 正南電子商務(深圳)有限公司 (“South Technology Shenzhen”)	9 December 2013 PRC	RMB350,000	100%	Marketing and sales of homeware products

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

Note:

- (i) The English names of the subsidiaries established in the PRC are for identification purpose only. The official names of these companies are in Chinese.
- (ii) Except for B&C BVI which is directly held by the Company, all subsidiaries are indirectly held by the Company.
- (iii) The legal forms of Satu Shenzhen and South Technology Shenzhen are wholly-owned foreign enterprises incorporated in the PRC.

Except for Satu Shenzhen and South Technology Shenzhen, all the companies now comprising the Group have adopted 31 March as their financial year end date.

The statutory financial statements of the companies, now comprising the Group, which were prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC or Hong Kong as appropriate, were audited in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants or HKSAAs issued by the HKICPA by their respective statutory auditors as indicated below:

Name of Company	Financial years/period	Statutory auditors
B&C HK	Year ended 31 March 2016 Year ended 31 March 2017	WTMG Certified Public Accountants RSM Hong Kong
Satu Brown HK	For the period from 1 November 2013 to 31 March 2016 Year ended 31 March 2017	Teton CPA Company RSM Hong Kong
South Technology HK	For the period from 15 July 2013 to 31 March 2016 Year ended 31 March 2017	Teton CPA Company RSM Hong Kong
Satu Shenzhen	Years ended 31 December 2015 and 2016	深圳德楊會計師事務所
South Technology Shenzhen	Years ended 31 December 2015 and 2016	深圳德楊會計師事務所

No audited financial statements have been prepared for the Company and B&C BVI since its incorporation as these entities were not subject to any statutory audit requirements under relevant rules and regulations in their jurisdiction of incorporation.

2. BASIS OF PRESENTATION AND PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

Basis of presentation

Prior to the incorporation of the Company and the completion of the reorganisation (the “Reorganisation”) as described below, the Listing Business was carried out by companies now comprising the Group (collectively the “Operating Companies”). The Operating Companies were collectively controlled by Mr. Bruce She, Ms. Chan Lai Yin (“Ms. Yen Chan”) and Ms. Sze Sau Taap (“Ms. Sze”) (the “Controlling Parties”) throughout the Track Record Period.

Immediately prior to and after the Reorganisation, the Listing Business is held by the Operating Companies. Pursuant to the Reorganisation, the Operating Companies together with the Listing Business are transferred to and held by the Company through B&C BVI. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the combined financial information of the companies now comprising the Group is presented using the carrying values of the Listing Business under B&C BVI for all periods presented. For the purpose of this report, the Financial Information has been prepared in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the HKICPA.

Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

There was no adjustment made to the net assets nor the net profit or loss of any companies now comprising the Group in order to achieve consistency of the Group’s accounting policies.

Basis of preparation

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), accounting principles generally accepted in Hong Kong and the applicable disclosures provision of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 5.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the Track Record Period, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting periods beginning on 1 April 2015. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 April 2016. The directors anticipate that the new and revised HKFRSs will be adopted in the Group’s financial statements when they become effective.

List of new and revised HKFRSs in issue but not yet effective

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
Amendments to HKAS 7	Disclosure Initiative ³
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRSs	Annual improvement to HKFRSs 2014–2016 ⁵
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) Interpretation 23	Uncertainty Over Income Tax Treatments ² .

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁴ No mandatory effective date yet determined but is available for adoption.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement. The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit

or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The directors of the Company are in the process of assessing the potential impact on the Historical Financial Information resulting from the adoption of HKFRS 9 and anticipate that the adoption of HKFRS 9 may have impact on the Group's results and financial position as the new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantify the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a significant impact on the amounts reported and disclosures made on the consolidated financial statements of the Group in the future.

HKFRS 16 Leases

HKFRS 16 which upon the effective date will supersede HKAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all lease with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in option periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 29, total operating lease commitment of the Group in respect of rented premises with terms more than 12 months at inception as at 31 March 2016 and 2017 amounted to approximately HK\$2,053,000 and HK\$2,373,000, respectively. The management of the Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will required to be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities.

Except for the above, the management of the Group anticipates that the application of other new and amendments to HKFRSs will have no material impact on the Historical Financial Information to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Consolidation

The Historical Financial Information include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary and any accumulated foreign currency translation reserve relating to that subsidiary.

Intra-group transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

In the Company's statements of financial position, the investment in a subsidiary is stated at cost less allowance for impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Foreign currency transaction

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in HKD, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy 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 that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

(c) Property, plant and equipment

Property, plant and equipment held for use in the supply of goods or services, or for administrative purpose, are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Leasehold improvements	Over the lease term
Furniture and equipment	20%
Motor vehicles	30%

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(g) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(h) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(i) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(l) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of homeware products is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

(o) Employment benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligation

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

The employees of the Group's subsidiaries in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in the PRC are required to contribute a certain percentage of their payroll costs to the central pension scheme. Contributions to the central pension scheme are charged to the profit or loss when incurred.

(iii) Termination benefit

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(p) Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are 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, until such time as 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 eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's 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 differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in a subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(r) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount 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. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(s) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(t) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(u) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 March 2016 and 2017 was approximately HK\$768,000 and HK\$729,000 respectively.

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in

which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer's taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

(d) Income tax

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the Track Record Period, approximately HK\$1,890,000 and HK\$2,363,000 of income tax was charged to profit or loss based on the estimated profit.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Company does not have any exposures to foreign currency risk at the end of the Track Record Period.

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HKD, RMB, British Pound ("GBP") and USD. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

The Group's foreign currency denominated financial assets and liabilities, translated into HKD at the prevailing closing rates at the end of the Track Record Period, are as follows:

	Exposure to foreign currencies					Total
	HKD	RMB	USD	GBP	Others	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
At 31 March 2016						
Financial assets	3,692	152	11,855	1	7	15,707
Financial liabilities	<u>3,293</u>	<u>370</u>	<u>2,582</u>	<u>—</u>	<u>—</u>	<u>6,245</u>
At 31 March 2017						
Financial assets	5,748	118	19,034	725	16	25,641
Financial liabilities	<u>1,517</u>	<u>512</u>	<u>2,839</u>	<u>117</u>	<u>—</u>	<u>4,985</u>

Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and retained earnings in response to reasonably possible changes in the foreign exchange rates of RMB and GBP to which the Group has significant exposure at the end of the Track Record Period. The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the change taking place at the beginning of the year and held constant throughout the year.

	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained earnings	Effect on equity
		<i>HK\$'000</i>	<i>HK\$'000</i>
Group			
At 31 March 2016			
RMB	5%	— ⁽ⁱ⁾	(10)
RMB	(5%)	— ⁽ⁱ⁾	10
GBP	3%	— ⁽ⁱ⁾	—
GBP	(3%)	— ⁽ⁱ⁾	—
At 31 March 2017			
RMB	6%	(4)	(19)
RMB	(6%)	4	19
GBP	13%	66	—
GBP	(13%)	(66)	—

⁽ⁱ⁾ Represent the amount less than HK\$1,000.

As HKD is pegged to USD, the directors considered that the foreign currency risk exposure between HKD and USD is limited.

The sensitivity analysis of the Group's exposure to currency risk at the reporting date has been determined based on the hypothetical changes in foreign exchange rates which are commensurate with historical fluctuation during the Track Record Period. The assumed changes represent directors' assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date.

(b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 March 2017 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statements of financial position. The Group's credit risk is primarily attributable to its trade receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk to its trade receivables as the Group's largest customer contributed over 36.4% and 24.3% of the turnover for the years ended 31 March 2016 and 2017, respectively and shared nil and nearly 17.9% of the trade receivables at the end of each reporting period. The Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to the non-recovery of the receivables and there is no recent history of default for the Group's largest customer.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amount due from a related company is closely monitored by the directors.

The credit risk on bank and cash balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Group's policy is to regularly monitor its current and expected liquidity requirements and its relationship with its bankers 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 longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

Specifically, for term loan which contains a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loan with immediate effect. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

	Maturity Analysis — undiscounted cash outflows				Total undiscounted cash flow HK\$'000	Carrying amount HK\$'000
	Less than 1 year or on demand HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000		
At 31 March 2016						
Trade payables	2,613	—	—	—	2,613	2,613
Other payables and accruals	423	—	—	—	423	423
Amounts due to shareholders	1,118	—	—	—	1,118	1,118
Amount due to a NCI shareholder	405	—	—	—	405	405
Amount due to a related company	421	—	—	—	421	421
Bank borrowings (note)	<u>1,295</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,295</u>	<u>1,265</u>
At 31 March 2017						
Trade payables	2,871	—	—	—	2,871	2,871
Other payables and accruals	544	—	—	—	544	544
Amounts due to shareholders	1,143	—	—	—	1,143	1,143
Bank borrowings (note)	<u>430</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>430</u>	<u>427</u>

Note:

Term loan with a repayment on demand clause is included in the "less than 1 year or on demand" time band in the above maturity analysis. Taking into account the Group's financial position, the directors do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors believe that such term loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

(d) Interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate borrowings. It is the Group's policy to keep its borrowing at floating rate of interest so as to minimise the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors of the Company will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rate for bank borrowings at the end of each of the Track Record Period and assumed that the amount of liabilities outstanding at the end of each of the Track Record Period was outstanding for the whole year.

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's consolidated profit after tax for the years ended 31 March 2016 and 2017 would decrease/increase by approximately HK\$11,000 and HK\$4,000 respectively, arising mainly as a result of higher/lower interest expense on bank borrowings.

(e) Categories of the Group's financial instruments at the end of each reporting period

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets:		
Loans and receivables (including cash and cash equivalents)	15,707	25,641
Financial liabilities:		
Financial liabilities at amortised cost	<u>6,245</u>	<u>4,985</u>

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their respective fair values.

7. REVENUE AND SEGMENT INFORMATION

Revenue and other income and net gains recognised during the Track Record Period are as follows:

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Sales of homeware products	<u>85,669</u>	<u>65,224</u>
Other income and net gains		
Interest income	1	1
Packaging income	—	209
Sampling income	183	139
Others	<u>52</u>	<u>80</u>
	<u>236</u>	<u>429</u>

Segment information

The executive directors of the Company, being the chief operating decision maker, regularly review revenue analysis by customers and by locations. The executive directors of the Company considered the operating activities of designing and trading of homeware products as a single operating segment. The operating segment has been identified on the basis of internal management reports prepared and is regularly reviewed by the executive directors of the Company. The executive directors of the Company review the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment is presented.

Geographical information

Revenue from external customers, based on location of delivery to customers is as follows:

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Denmark	31,331	16,958
Netherlands	19,025	184
United Kingdom	8,616	20,843
France	7,010	3,002
Australia	2,227	4,301
Poland	1,924	2,835
Italy	474	2,260
Germany	5,291	5,310
Others	<u>9,771</u>	<u>9,531</u>
	<u><u>85,669</u></u>	<u><u>65,224</u></u>

An analysis of the Group's non-current assets by their physical geographical location is as follows:

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	212	403
PRC	<u>556</u>	<u>326</u>
	<u><u>768</u></u>	<u><u>729</u></u>

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

Information about major customers

Revenue from a customer contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Kahler Design A/S	31,181	15,817
Customer A	18,805	N/A ¹
Customer B	11,232	9,970
Customer C	<u>N/A¹</u>	<u>10,973</u>

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

8. COST OF SALES

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Consumable materials	2,448	1,512
Costs of homeware products	54,525	35,237
Goods handling charges	—	1,394
Packing expenses	830	1,077
Others	<u>222</u>	<u>272</u>
	<u>58,025</u>	<u>39,492</u>

9. FINANCE COSTS

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts	21	2
Interest on bank borrowings		
— wholly repayable within five year	<u>51</u>	<u>26</u>
	<u>72</u>	<u>28</u>

10. INCOME TAX EXPENSE

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax — Hong Kong Provision for the year	1,908	2,334
Deferred tax (<i>Note 17</i>)	<u>(18)</u>	<u>29</u>
	<u><u>1,890</u></u>	<u><u>2,363</u></u>

The Company was incorporated in the Cayman Islands and B&C BVI was incorporated in the BVI that are tax exempted as no business carried in the Cayman Islands and the BVI under the tax laws of the Cayman Islands and the BVI.

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profits during the Track Record Period.

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

No PRC enterprise income tax has been made in the Historical Financial Information since the Group did not generate any assessable profits arising in PRC during the Track Record Period.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	<u>11,196</u>	<u>12,699</u>
Tax at the Hong Kong Profits Tax rate of 16.5%	1,847	2,095
Tax effect of income that is not taxable	<u>—⁽ⁱ⁾</u>	<u>—⁽ⁱ⁾</u>
Tax effect of expenses that are not deductible	5	280
Tax losses not recognised	87	17
Tax concession	(20)	(23)
Effect of different tax rates of subsidiaries	<u>(29)</u>	<u>(6)</u>
Income tax expense	<u><u>1,890</u></u>	<u><u>2,363</u></u>

⁽ⁱ⁾ Represent the amount less than HK\$1,000.

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

At the end of the Track Record Period, the Group has estimated unused tax losses for subsidiaries incorporated in the PRC of approximately HK\$757,000 and HK\$820,000 respectively available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

As at 31 March 2016 and 2017, the Group's tax losses for subsidiaries incorporated in the PRC will expire in the following years:

	Group	
	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
In 2022	—	63
In 2021	349	349
In 2020	<u>408</u>	<u>408</u>
	<u><u>757</u></u>	<u><u>820</u></u>

11. PROFIT FOR THE YEAR

The Group's profit for the Track Record Period is stated after charging the following:

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	54	92
Cost of homeware products	54,525	35,237
Depreciation	288	318
Foreign exchange loss, net	444	243
Listing expenses	—	1,650
Loss on disposal of property, plant and equipment	—	16
Operating lease charges in respect of:		
— Office premises	1,399	1,498
Staff costs including directors' emoluments		
— Salaries, allowances and bonus	3,794	4,355
— Retirement benefit scheme contributions	393	321
	<u><u>4,187</u></u>	<u><u>4,676</u></u>

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) The emoluments of each of the Company's director were as follows:

	Fees <i>HK\$'000</i>	Salaries, allowance and bonus <i>HK\$'000</i>	Quarter <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2016					
Executive director:					
Mr. Bruce She	—	360	—	18	378
Mr. She Leung Ngai, Alex ("Mr. Alex She")	—	284	—	14	298
Ms. Yen Chan	—	336	—	17	353
	<u>—</u>	<u>980</u>	<u>—</u>	<u>49</u>	<u>1,029</u>
Year ended 31 March 2017					
Executive director:					
Mr. Bruce She	—	360	—	18	378
Mr. Alex She	—	300	—	15	315
Ms. Yen Chan	—	336	—	17	353
	<u>—</u>	<u>996</u>	<u>—</u>	<u>50</u>	<u>1,046</u>

Note:

- (i) Mr. Bruce She was appointed as a director of the Company on 27 March 2017 and was re-designated as an executive director of the Company on 11 May 2017. He was also directors of B&C HK, Satu Brown HK and South Technology HK, respectively during the Track Record Period and the Group paid emoluments to him in his capacity as the directors of these subsidiaries before his appointment as the executive director of the Company on 11 May 2017.
- (ii) Mr. Alex She was appointed as a director of the Company on 27 March 2017 and was re-designated as an executive director of the Company on 11 May 2017. He was also a director of B&C HK during the Track Record Period and the Group paid emoluments to him in his capacity as the director of this subsidiary before his appointment as the executive director of the Company on 11 May 2017.
- (iii) Ms. Yen Chan was appointed as a director of the Company on 27 March 2017 and was re-designated as an executive director of the Company on 11 May 2017. She was also directors of B&C HK, Satu Brown HK and Satu Shenzhen, respectively during the Track Record Period and the Group paid emoluments to her in her capacity as the directors of these subsidiaries before her appointment as the executive director of the Company on 11 May 2017.
- (iv) Mr. Ho Kim Ching, Mr. Chan Ching Sum, Sam and Ms. Fan Pui Shan were appointed as independent non-executive directors of the Company on 22 September 2017. During the Track Record Period, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of directors.
- (v) During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Period.

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

The five highest paid individuals in the Group during the Track Record Period included three and three directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two and two individuals are set out below:

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and bonus	584	587
Retirement benefit scheme contributions	<u>26</u>	<u>27</u>
	<u><u>610</u></u>	<u><u>614</u></u>

The emoluments fell within the following band:

	Number of individuals	
	Year ended 31 March	
	2016	2017
Nil to HK\$1,000,000	<u><u>2</u></u>	<u><u>2</u></u>

During the Track Record Period, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office.

- (b) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate and connected entities

The information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company in favour of a controlled body corporate of Mr. Bruce She and Ms. Yen Chan is disclosed in note 22 to the Historical Financial Information.

- (c) Directors' material interests in transactions, arrangement or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a directors of the Company and the director's connected party has a material interest, whether directly or indirectly, subsisted at the end of the Track Record Period or at any time during the Track Record Period.

13. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

14. RETIREMENT BENEFIT SCHEME

The Group operates a mandatory provident fund scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group’s contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HKD1,500 (before 1 June 2014: HKD1,250) per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. Each subsidiary is required to contribute certain percentage of the employees’ basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of this subsidiary. The only obligation of the subsidiary with respect to the central pension scheme is to meet the required contributions under the scheme.

15. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this Historical Financial Information, is not considered meaningful due to the Group Reorganisation and the basis of presentation of the results of the Group for the Track Record Period as further explained in note 2 to the Historical Financial Information.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements	Furniture and equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost				
At 1 April 2015	1,412	528	780	2,720
Additions	—	137	—	137
Disposals/write-off	—	(267)	—	(267)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016 and 1 April 2016	1,412	398	780	2,590
Additions	164	131	—	295
Disposals/write-off	(262)	(36)	—	(298)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	1,314	493	780	2,587

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

	Leasehold improvements <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Accumulated depreciation and impairment				
At 1 April 2015	626	395	780	1,801
Charge for the year	230	58	—	288
Disposals/write-off	<u>—</u>	<u>(267)</u>	<u>—</u>	<u>(267)</u>
At 31 March 2016 and 1 April 2016	856	186	780	1,822
Charge for the year	244	74	—	318
Disposals/write-off	<u>(262)</u>	<u>(20)</u>	<u>—</u>	<u>(282)</u>
At 31 March 2017	<u>838</u>	<u>240</u>	<u>780</u>	<u>1,858</u>
Net book value				
At 31 March 2017	<u><u>476</u></u>	<u><u>253</u></u>	<u><u>—</u></u>	<u><u>729</u></u>
At 31 March 2016	<u><u>556</u></u>	<u><u>212</u></u>	<u><u>—</u></u>	<u><u>768</u></u>

17. DEFERRED TAX ASSETS

The following are deferred tax assets recognised by the Group:

Group	Accelerated tax depreciation <i>HK\$'000</i>
At 1 April 2015	92
Credit to consolidated profit or loss for the year (<i>Note 10</i>)	<u>18</u>
At 31 March 2016 and 1 April 2016	110
Charge to consolidated profit or loss for the year (<i>Note 10</i>)	<u>(29)</u>
At 31 March 2017	<u><u>81</u></u>

18. PARTICULARS OF THE SUBSIDIARIES

Particulars of the subsidiaries as at the date of this report are shown in page I-12.

The following table shows information on the subsidiary that has NCI material to the Group. The summarised historical financial information represents amounts before inter-company eliminations.

Name	South Technology HK	
	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Principal place of business/country of incorporation	Hong Kong/Hong Kong	
% of ownership interests/voting rights held by NCI	35%/35%	0%/0%
Current assets	261	1,450
Current liabilities	<u>(1,058)</u>	<u>(2,260)</u>
Net liabilities	<u>(797)</u>	<u>(810)</u>
Accumulated NCI	(279)	—
	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	292	3,025
Loss for the year	(360)	(32)
Total comprehensive income for the year	(356)	(10)
Loss allocated to NCI	(126)	(11)
Total comprehensive income for the year allocated to NCI	(125)	(4)
Net cash used in operating activities	(134)	(16)
Net cash generated from financing activities	98	594
Exchange difference	<u>4</u>	<u>19</u>
Net (decrease)/increase in cash and cash equivalents	<u>(32)</u>	<u>597</u>

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

On 31 March 2017, Mr. Bruce She acquired the remaining 35% equity interest in South Technology HK, thereby increasing his ownership interest therein to 100%, at a consideration of HK\$35.

As at 31 March 2016 and 2017, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately HK\$152,000 and HK\$77,000 respectively. Conversion of the RMB into foreign currency is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

19. INVENTORIES

	Group	
	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finished goods	—	1,342
	—	1,342

20. TRADE RECEIVABLES

	Group	
	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	8,356	14,543
	8,356	14,543

The Group's credit terms generally range from 30 to 120 days. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables, based on the delivery date, is as follows:

	Group	
	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	1,885	10,373
31 to 60 days	2,166	1,383
61 to 120 days	4,100	2,682
Over 120 days	205	105
	8,356	14,543

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION
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As of 31 March 2016 and 2017, trade receivables of approximately HK\$1,270,000 and HK\$921,000 respectively were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	1,270	700
Over 30 days	<u>—</u>	<u>221</u>
	<u><u>1,270</u></u>	<u><u>921</u></u>

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	Group	
	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
GBP	—	13
USD	<u>8,356</u>	<u>14,530</u>
	<u><u>8,356</u></u>	<u><u>14,543</u></u>

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments		
Goods purchased	4,688	1,148
Listing expenses	—	550
Administrative and operating expenses	<u>15</u>	<u>13</u>
	<u>4,703</u>	<u>1,711</u>
 Deposits		
Rental deposits	163	178
Utility deposits	<u>19</u>	<u>8</u>
	<u>182</u>	<u>186</u>
 Other receivables	<u>—</u>	<u>12</u>
	<u><u>4,885</u></u>	<u><u>1,909</u></u>
	Company	
	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments		
Listing expenses	<u>—</u>	<u>550</u>

22. AMOUNT(S) DUE FROM/(TO) A RELATED COMPANY/SHAREHOLDERS/A NCI SHAREHOLDER

Amount due from a related company:

	Group	
	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Pansino Holdings Limited (“Pansino”)	<u>2,205</u>	<u>1,730</u>
The maximum balance outstanding during the year	<u><u>2,205</u></u>	<u><u>2,205</u></u>

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

Note:

- (i) The amount due from Pansino is non-trade nature, unsecured, interest-free and will be fully settled prior to the listing.
- (ii) Mr. Bruce She and Ms. Yen Chan are interested in the transaction above to the extent that they are the beneficial shareholders of Pansino.

Amounts due to shareholders:

	Group	
	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Bruce She	951	1,143
Ms. Yen Chan	<u>167</u>	<u>—</u>
	<u><u>1,118</u></u>	<u><u>1,143</u></u>

The amounts due to shareholders are trade nature, unsecured, interest-free and will be fully settled prior to the listing.

Amount due to a NCI shareholder:

The amount due to a NCI shareholder is trade nature, unsecured, interest-free and has no fixed terms of repayment.

Amount due to a related company:

	Group	
	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Pansino Homeware (Shenzhen) Co., Ltd. ("Pansino Shenzhen")	<u>421</u>	<u>—</u>

Note:

- (i) The amount due to Pansino Shenzhen is trade nature, unsecured, interest-free and has no fixed terms of repayment.
- (ii) Mr. Bruce She and Ms. Yen Chan are interested in the transaction above to the extent that they are the beneficial shareholders of Pansino Shenzhen.

23. BANK AND CASH BALANCES

The carrying amounts of the Group's bank and cash balances at 31 March 2016 and 2017 are denominated in the following currencies:

	Group	
	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
USD	3,499	4,497
HKD	1,305	3,827
RMB	152	118
GBP	1	712
Others	<u>7</u>	<u>16</u>
	<u>4,964</u>	<u>9,170</u>

24. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIPT IN ADVANCE

	Group	
	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<u>2,613</u>	<u>2,871</u>
Other payables and accruals		
Accrued staff costs	39	125
Accrued administrative and operating expenses	373	363
Others	<u>11</u>	<u>56</u>
	<u>423</u>	<u>544</u>
Deposits receipt in advance	<u>191</u>	<u>240</u>
	<u>3,227</u>	<u>3,655</u>

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	Group	
	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	2,563	2,786
91 to 180 days	50	35
Over 180 days	<u>—</u>	<u>50</u>
	<u><u>2,613</u></u>	<u><u>2,871</u></u>

The credit period ranges from 0 to 30 days.

The carrying amounts of the Group's trade, other payables and accruals and deposits receipt in advance are denominated in the following currencies:

	Group	
	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
USD	2,773	3,080
HKD	431	161
RMB	23	297
GBP	<u>—</u>	<u>117</u>
	<u><u>3,227</u></u>	<u><u>3,655</u></u>

25. BANK BORROWINGS

	Group	
	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Term loan, secured	1,263	427
Bank overdrafts, secured	<u>2</u>	<u>—</u>
	<u>1,265</u>	<u>427</u>
The bank borrowings are repayable as follows:		
On demand or within one year	838	427
In the second year	<u>427</u>	<u>—</u>
	1,265	427
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(838)</u>	<u>(427)</u>
Portion of bank loan that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	<u>427</u>	<u>—</u>

Term loan, secured

Note:

- (i) The carrying amount is denominated in HKD and arranged at floating rate, thus exposing the Group to cash flow interest rate risk.
- (ii) The average effective interest rate per annum at 31 March 2016 and 2017 was 3%.
- (iii) Term loan as at 31 March 2016 and 2017 was secured by the following:
 - (a) personal guarantees executed by Mr. Bruce She and Ms. Yen Chan limited to HK\$4,000,000 in total; and
 - (b) a corporate guarantee executed by The Hong Kong Mortgage Corporation Limited.

Bank overdrafts, secured

Note:

- (i) The carrying amount is denominated in USD and arranged at floating rate, thus exposing the Group to cash flow interest rate risk.

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

- (ii) The average effective interest rate per annum at 31 March 2016 and 2017 was 5.5%.
- (iii) The banking facilities as at 31 March 2016 and 2017 were secured by the following:
 - (a) personal guarantees executed by Mr. Bruce She, Ms. Yen Chan, Ms. Sze and Mr. Sai Wing Hong, spouse of Ms. Sze and father of Mr. Bruce She and Mr. Alex She, limited to HK\$3,000,000 in total; and
 - (b) legal charge over the property owned by Ms. Sze and Mr. Sai Wing Hong.

26. SHARE CAPITAL

Group

For the purpose of the preparation of the consolidated statements of financial position, the balance of share capital at 31 March 2016 and 31 March 2017 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group held by the Controlling Parties of the Company prior to the Reorganisation.

Company

	<i>Note</i>	Number of shares	Amount HK\$'000
Authorised:			
Ordinary shares of HK\$0.01 each			
Upon incorporation on 27 March 2017 and at 31 March 2017	(a)	<u>38,000,000</u>	<u>380</u>
Issued and fully paid:			
Ordinary shares of HK\$0.01 each			
Upon incorporation on 27 March 2017 and at 31 March 2017	(a)	<u>3</u>	<u>—</u>

Note:

- (a) The Company was incorporated in the Cayman Islands on 27 March 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same date, one nil paid ordinary share of HK\$0.01 was allotted and issued to the initial subscriber, which was transferred to Hearthfire Limited and further two nil paid ordinary shares of HK\$0.01 were allotted and issued to Top Clay Limited and Present Moment Limited. Further details on the Company's share capital are set out in the section headed "Statutory and General Information — A. Further information about our Group — 2. Changes in share capital of our Company" in Appendix IV to the Prospectus.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital using a gearing ratio, which is the Group's total debts (comprising bank borrowings and amounts due to shareholders and a NCI shareholder) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratios during the Track Record Period were 21.3% and 6.7% respectively. The decrease in the gearing ratio of the Group is primarily from the decrease in the balance of bank borrowings.

Breaches in meeting the financial covenants would permit the lender to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the Track Record Period.

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of profit or loss and other comprehensive income and consolidated statements of changes in equity.

(b) Nature and purpose of reserves

(i) Other reserve

The other reserve represents the amount of the registered capital of an enterprise received that exceeds its registered capital.

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(b) to the Historical Financial Information.

28. CONTINGENT LIABILITIES

At 31 March 2016 and 2017, the Group did not have any other significant contingent liabilities.

29. LEASE COMMITMENTS

At 31 March 2016 and 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,351	1,310
In the second to fifth years inclusive	<u>702</u>	<u>1,063</u>
	<u><u>2,053</u></u>	<u><u>2,373</u></u>

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for an average term of 3.5 years and 4 years at 31 March 2016 and 2017 respectively and rentals are fixed over the lease terms and do not include contingent rentals.

30. RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with its related parties during the Track Record Period:

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental expense to Pansino Shenzhen	796	936
Goods purchased from Pansino Shenzhen	<u>439</u>	<u>126</u>

- (b) The remuneration of directors and other members of key management during the Track Record Period was as follows:

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term benefits	<u>1,029</u>	<u>1,046</u>

- (c) Personal guarantees were given by the Mr. Bruce She, Ms. Yen Chan, Ms. Sze and Mr. Sai Wing Hong against the banking facilities granted to the Group as disclosed in note 25 to the Historical Financial Information at nil consideration.
- (d) Legal charge over the property owned by Ms. Sze and Mr. Sai Wing Hong against the banking facilities granted to the Group as disclosed in note 25 to the Historical Financial Information at nil consideration.

- (e) A trademark owned by Pansino was used by the Group free of charge during the Track Record Period.

31. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 March 2017 and up to the date of this report, the following significant events have taken place:

- (a) The companies now comprising the Group underwent and completed the Reorganisation on 21 September 2017 in preparation for the Listing. Further details of the Reorganisation are set out in the section headed “History, Development and Reorganisation — Reorganisation” in the Prospectus.
- (b) On 22 September 2017, written resolutions were passed to effect the transactions as set out in the section headed “Statutory and general information — A. Further Information About Our Group — 3. Written Resolutions of all Our Shareholders passed on 22 September 2017” in Appendix IV to the Prospectus, certain of which are disclosed as follows:
 - (i) The authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of additional 9,962,000,000 shares;
 - (ii) The Company’s Share Option Scheme was adopted. Details of the Share Option Scheme are set out in the section headed “Statutory and General Information — D. Other Information — 1. Share Option Scheme” in Appendix IV to the Prospectus.
- (c) On 21 September 2017, B&C HK declared a dividend of HK\$7,000,000 to the shareholder whose names appear in the register of members as at 21 September 2017 in proportion to their then respective shareholdings.

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2017.

For illustrative purpose only, the pro forma financial information prepared in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules is set out herein to provide the investors with further information to assess the financial performance of the Group after taking into account the adjusted net tangible assets of the Group to illustrate the financial position of the Group after completion of the Share Offer and to illustrate the performance of the Group had the Share Offer been completed on 31 March 2017.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma financial information has been prepared, on the basis of the notes set out below, to illustrate how the Share Offer may have affected the net tangible assets attributable to owners of the Company had it occurred as of 31 March 2017. It has been prepared for illustrative purpose only and, because of its nature, may not give a true picture of the financial position of the Group.

	Audited consolidated net tangible assets attributable to owners of the Company as of 31 March 2017⁽¹⁾ HK\$'000	Estimated net proceeds from the Share Offer⁽²⁾ HK\$'000	Unaudited pro forma adjusted net tangible assets HK\$'000	Unaudited pro forma adjusted net tangible assets per Share^{(3)&(5)} HK\$
<i>Based on an Offer Price of HK\$0.20 per Share</i>	23,391	26,775	50,166	0.05
<i>Based on an Offer Price of HK\$0.24 per Share</i>	<u>23,391</u>	<u>36,174</u>	<u>59,565</u>	<u>0.06</u>

Notes:

- (1) The audited consolidated net tangible assets attributable to owners of the Company as of 31 March 2017 is arrived from the audited consolidated net assets of HK\$23,391,000 as of 31 March 2017, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 250,000,000 Shares to be issued at indicative Offer Price of HK\$0.20 and HK\$0.24 per Share, respectively, being the low-end price and high-end price, after deduction of the estimated underwriting commission and other estimated listing expense payable by the Company of approximately HK\$26.8 million and HK\$36.2 million, respectively (excluding approximately HK\$2.2 million listing expenses which has been accounted for prior to 31 March 2017), and does not take into account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or options which may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company does not take into account a dividend of HK\$7.0 million was declared by B&C Industries HK on 21 September 2017 and to be settled before Listing. Had the dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per share would be HK\$0.04 (assuming an Offer Price of HK\$0.20 per Share) and HK\$0.05 (assuming an Offer Price of HK\$0.24 per Share), respectively.

- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2017.
- (5) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is calculated based on 1,000,000,000 Shares are issued and outstanding as set out in the section headed “Share Capital” of this prospectus assuming the Share Offer has been completed on 31 March 2017 but takes no account of any Shares which may be allotted and issued pursuant to the exercise of Offer Size Adjustment Option or options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of the Shares as described in “Appendix IV — Statutory and General Information” in this Prospectus.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong.



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Hong Kong

29 September 2017

The Board of Directors
Satu Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Satu 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 unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 March 2017 and related notes as set out in Part A of Appendix II to the prospectus dated 29 September 2017 (the “Prospectus”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are specified in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed share offer of the Company (the “Share Offer”) on the Group’s financial position as at 31 March 2017 as if the Share Offer had been taken place on the same date. As part of this process, information about the Group’s net tangible assets has been extracted by the Directors from the Group’s financial statements for the two years ended 31 March 2017 as included in the Prospectus of the Company, on which an accountant’s 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 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (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 behavior.

The firm applies Hong Kong Standard on Quality Control 1 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 Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM 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 accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM 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 pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2017 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 event or 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 accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or 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 purposes of the pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

RSM Hong Kong
Certified Public Accountants
Hong Kong

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 27 March 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Memorandum of Association (the “**Memorandum**”) and its Articles of Association (the “**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that 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) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 22 September 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of 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 the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting

two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made 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 ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to

the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his

appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with 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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by 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.

(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 assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, 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 ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be repaid or repaid all travelling, hotel and incidental expenses reasonably

expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making 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 ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of 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 therefore in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by 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 contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of 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, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address, by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of 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 is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic

form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

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.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) 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 and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the

directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his

duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 28 April 2017.

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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law 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.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands.

Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix III to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 27 March 2017 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 29 May 2017. We have established a principal place of business in Hong Kong at Unit 2504, 25/F., Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong. Mr. She has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) The initial authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the date of its incorporation, one nil paid Share was allotted and issued to Sharon Pierson, an Independent Third Party, as the initial subscriber.
- (b) On 27 March 2017, Sharon Pierson transferred to Hearthfire the one nil paid Share, and the Company allotted and issued to each of Top Clay and Present Moment one nil paid Share. Upon completion of the above transfer and allotment and issue, Hearthfire, Top Clay and Present Moment became the Shareholders of our Company.
- (c) On 21 September 2017, pursuant to the Reorganisation and a share swap agreement entered into among Mr. She, Ms. Sze, Ms. Chan, Hearthfire, Top Clay, Present Moment, our Company and B&C Industries BVI, our Company through B&C Industries BVI acquired the 7,500, 1,000 and 1,500 shares held by Mr. She, Ms. Sze and Ms. Chan in B&C Industries HK respectively, representing its entire issued share capital, in consideration of (i) the crediting as fully paid at par the three nil paid Shares registered in the name of each of Hearthfire, Top Clay and Present Moment, and (ii) the allotment and issue of 19,949,999, 2,659,999 and 3,989,999 Shares by our Company, all of which were credited as fully paid and rank *pari passu* in all respects with the prior issued Shares, to Hearthfire, Top Clay and Present Moment respectively.
- (d) On 21 September 2017, pursuant to the Reorganisation and a share swap agreement entered into among Mr. She, Ms. Chan, Hearthfire, Present Moment, our Company and B&C Industries BVI, our Company through B&C Industries BVI acquired the 9,500 and 500 shares held by Mr. She and Ms. Chan in Satu Brown HK respectively, representing its entire issued share capital, in consideration of the allotment and issue of 7,220,000 and 380,000 Shares by our Company, all of which were credited as fully paid and rank *pari passu* in all respects with the prior issued Shares, to Hearthfire and Present Moment respectively.

- (e) On 21 September 2017, pursuant to the Reorganisation and a share swap agreement entered into among Mr. She, Hearthfire, our Company and B&C Industries BVI, our Company through B&C Industries BVI acquired the 100 shares held by Mr. She in South Technology HK, representing its entire issued share capital, in consideration of the allotment and issue of 3,800,000 Shares by our Company, all of which were credited as fully paid and rank *pari passu* in all respects with the prior issued Shares, to Hearthfire.
- (f) Therefore, as at 21 September 2017, a total of 38,000,000 Shares were in issue and all credited as fully paid.
- (g) On 22 September 2017, written resolutions of all our Shareholders were passed to approve, among other things, the increase of the authorised share capital of our Company from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of an additional 9,962,000,000 Shares.

Conditional upon the share premium account of our Company being credited as a result of the Share Offer, the amount of HK\$7,120,000 standing to the credit of the share premium account of our Company will be capitalised to pay up in full at par a total of 712,000,000 Shares for allotment and issue to Hearthfire, Top Clay and Present Moment, in proportion to their then respective percentage of shareholdings in our Company prior to the Share Offer, and such Shares shall rank *pari passu* in all respects with the prior issued Shares (the “**Capitalisation Issue**”). The number of Shares so allotted and issued will, together with the Shares held by Hearthfire, Top Clay and Present Moment, represent 75% of the entire issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue.

Immediately following completion of the Share Offer and the Capitalisation Issue, the issued share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each, all fully paid or credited as fully paid, and 9,000,000,000 Shares will remain unissued.

Save as disclosed in this section, there has been no alteration in the share capital of our Company since the date of its incorporation.

Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “A. Further information about our Group — 3. Written resolutions of all our Shareholders passed on 22 September 2017” in this appendix, the Directors do 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 of our Company, no issue of Shares will be made which would effectively alter the control of our Company.

3. Written resolutions of all our Shareholders passed on 22 September 2017

Pursuant to the written resolutions of all our Shareholders passed on 22 September 2017:

- (a) our Company approved and adopted the Memorandum with immediate effect and conditionally adopted the Articles as its new articles with effect from the Listing Date;
- (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\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of an additional 9,962,000,000 Shares;
- (c) conditional on (i) the Listing Department granting the listing of, and permission to deal in, the Shares in issue and the Shares to be allotted and issued as mentioned in this prospectus (including any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme); (ii) the Offer Price having been duly determined and the execution and delivery of the Underwriting Agreements on the respective dates as specified in this prospectus; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Share Offer and the grant of the Offer Size Adjustment Option by our Company was approved and our Directors were authorised to (aa) allot and issue the Offer Shares pursuant to the Share Offer; (bb) implement the Share Offer and the Listing; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
 - (ii) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise an amount of HK\$7,120,000 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 712,000,000 Shares for allotment and issue to Hearthfire, Top Clay and Present Moment, in proportion to their then respective percentage of shareholding in our Company prior to the Share Offer;
 - (iii) the rules of the Share Option Scheme were approved and adopted, and our Board (or any committee thereof established by our Board) was authorised, at its sole discretion, to (aa) administer the Share Option Scheme; (bb) modify or amend the rules of the Share Option Scheme from time to time as may be acceptable or not objected to by the Stock Exchange; (cc) 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 option(s) granted thereunder; and (dd) take all such actions as it considers necessary or desirable to implement or give effect to the Share Option Scheme;

- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with (including the power to make or grant offers or agreements or options, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares with a total number not exceeding the aggregate of (aa) 20% of the total number of Shares in issue immediately following completion of the Share Offer and Capitalisation Issue, and (bb) the total number of Shares repurchased by our Company (if any) pursuant to the authority granted to our Directors as referred to in paragraph (e) below, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first;
- (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 approved stock exchange on which the Shares or other 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 shall not exceeding 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first; and
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate number of Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company under the authority granted pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

4. Group Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For information relating to the Reorganisation, please refer to the paragraph headed “History, Development and Reorganisation — Reorganisation” in this prospectus.

5. Changes in share capital of our subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report as set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants' Report and in the section headed "History, development and reorganisation" in this prospectus, our Company has no other subsidiaries.

Save as disclosed in the section headed "History, development and reorganisation" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchases of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, the most important restrictions are summarised below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions of all our Shareholders passed on 22 September 2017, a general unconditional mandate was given to the Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on GEM) of not more than 10% of the total number of Shares in issue immediately following the completion of the Share Offer, such mandate to expire at the earliest of: (i) the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions; (ii) the expiration of the period within which our Company is required by any applicable law or the Articles to hold the next annual general meeting of our Company; or (iii) the time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting whichever shall first occur; details of which have been described above in the paragraph headed "A. Further Information About Our Group — 3. Written resolutions of all our Shareholders passed on 22 September 2017" in this appendix.

(ii) Source of funds

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Any repurchase of Shares by our Company may be made out of funds legally permitted to be utilised in this connection, including profits of our Company, share premium account of our Company or out of proceeds of a fresh issue of Shares made for that purpose or, if so authorised by the Articles and subject to the provisions of the Companies Law, out of capital. Any premium payable on a repurchase over the par value of the Shares to be purchased must be paid out of either or both of profits of our Company or our Company's share premium account, or if so authorised by the Articles and subject to the provisions of the Companies Law, out of capital.

Our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(iii) Shares to be repurchased

The GEM Listing Rules provide that the Shares which are proposed to be repurchased by our Company must be fully paid-up.

(iv) Trading restrictions

A company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate number of issued Shares of that company or warrants to subscribe for shares in that company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate.

A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the Stock Exchange or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. In addition, a company is prohibited from making securities repurchase on GEM if the result of the repurchase would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange.

A company shall not repurchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(v) *Status of repurchased shares*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically cancelled and the certificates for those securities must be cancelled and destroyed.

Under the Companies Law, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(vi) *Suspension of repurchase*

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (bb) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the GEM Listing Rules.

(vii) *Reporting requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(viii) Connected parties

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Share capital

Exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any of the Shares that may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme), could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the course of the period prior to the date on which such Repurchase Mandate expires or terminates as mentioned in the paragraph headed “A. Further Information About Our Company — 3. Written resolutions of all our Shareholders passed on 22 September 2017” in this appendix.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules) currently intends to sell any Shares to our Company or our subsidiaries.

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 Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Company has not made any repurchases of its own securities in the past six months. No core connected person (as defined in the GEM Listing Rules) has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if any repurchase mandate is exercised.

If, as a result of any 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 Codes. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the

level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Codes. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Codes as a consequence of any repurchases pursuant to any 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 GEM Listing Rules).

B. INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business of our Group) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) share swap agreement dated 21 September 2017 entered into among Mr. She, Ms. Sze, Ms. Chan, Hearthfire, Top Clay, Present Moment, our Company and B&C Industries BVI, pursuant to which, Mr. She, Ms. Sze and Ms. Chan have agreed to sell, and B&C Industries BVI has agreed to purchase, the 7,500, 1,000 and 1,500 shares held by Mr. She, Ms. Sze and Ms. Chan in B&C Industries HK respectively;
- (b) share swap agreement dated 21 September 2017 entered into among Mr. She, Ms. Chan, Hearthfire, Present Moment, our Company and B&C Industries BVI, pursuant to which, Mr. She and Ms. Chan have agreed to sell, and B&C Industries BVI has agreed to purchase, the 9,500 and 500 shares held by Mr. She and Ms. Chan in Satu Brown HK respectively;
- (c) share swap agreement dated 21 September 2017 entered into among Mr. She, Hearthfire, our Company and B&C Industries BVI, pursuant to which, Mr. She has agreed to sell, and B&C Industries BVI has agreed to purchase, the 100 shares held by Mr. She in South Technology HK;
- (d) the Deed of Indemnity;
- (e) the Non-competition Undertaking; and
- (f) the Public Offer Underwriting Agreement.



2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks, which are material to the business of our Group:

Trademark	Class	Place of registration	Trademark number	Name of registrant	Registration date	Expiry date
	11, 21, 35	EU	016115297	Satu Brown HK	21 April 2017	30 November 2026
	11, 21, 35	United States	5269587	Satu Brown HK	22 August 2017	21 August 2027
	35	United Kingdom	UK00003227748	Satu Brown HK	4 August 2017	27 April 2027

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks, which are material to the business of our Group:

Trademark	Class	Place of application	Application number	Name of applicant	Application date
	35	HK	304128435	B&C Industries HK	4 May 2017
	35	HK	306177945	B&C Industries HK	20 June 2017
SATU BROWN	35	PRC	23666190	Satu Brown Shenzhen	19 April 2017

(b) Domain names

As at the Latest Practicable Date, our Group had registered the following domain names, which are material to the business of our Group:

Domain name	Name of registered proprietor	Date of registration	Expiry date
bnc.cc	B&C Industries HK	24 February 2010	24 February 2020
satubrown.com	B&C Industries HK	31 August 2007	31 August 2019

Information contained in the above website(s) does not form part of this prospectus.

Save as disclosed in the above table, as at the Latest Practicable Date, our Group had not registered or applied for registration of any other trade or service mark, patent, and other intellectual or industrial property rights which is material to the business of our Group.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

- (a) *Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Share Offer and the Capitalisation Issue without taking into account any Share which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required (a) to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by our Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to our Company and the Stock Exchange, once the Shares are listed, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules will be as follows:

(i) Interest in our Company

Name of Director	Capacity	Number of Shares held (Note 1)	Approximate percentage of shareholding
Mr. She	Interest of controlled corporation	611,250,000 (L) ^(Note 2)	61.125%
Ms. Chan	Interest of controlled corporation	86,250,000 (L) ^(Note 3)	8.625%

Notes:

- The letter "L" denotes a long position in the Director's interest in the Shares.
- 611,250,000 Shares held by Hearthfire, which is wholly-owned by Mr. She, our executive Director, and by virtue of the SFO, Mr. She is deemed to be interested in all the Shares held by Hearthfire.
- 86,250,000 Shares held by Present Moment, which is wholly-owned by Ms. Chan, our executive Director, and by virtue of the SFO, Ms. Chan is deemed to be interested in all the Shares held by Present Moment.

(ii) Interest in associated corporations

Name of Director	Name of associated corporation	Capacity	Number of shares in associated corporation held (L)	Approximate percentage of shareholding
Mr. She	Hearthfire	Beneficial owner	1 share of US\$1.00 each	100%

Note: The letter "L" denotes a long position in the Director's interest in the shares of the associated corporation.

(b) *Interests and short positions of substantial Shareholders in Shares and underlying Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO*

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue without taking into account any Share which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any Option which may be granted under the Share Option Scheme, the persons (other than our Directors and chief executive of our Company) who will have or be deemed or taken to have interests and/or short positions in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO will be as follows:

Name of Shareholder	Capacity	Number of Shares held <i>(Note 1)</i>	Approximate percentage of shareholding
Hearthfire	Beneficial owner	611,250,000 (L) ^(Note 2)	61.125%
Top Clay	Beneficial owner	52,500,000 (L) ^(Note 3)	5.25%
Ms. Sze	Interest of controlled corporation	52,500,000 (L) ^(Note 3)	5.25%
Present Moment	Beneficial owner	86,250,000 (L) ^(Note 4)	8.625%

Notes:

1. The letter "L" denotes a long position in the Shareholder's interest in the Shares.
2. Hearthfire is wholly-owned by Mr. She, our executive Director, and by virtue of the SFO, Mr. She is deemed to be interested in all the Shares held by Hearthfire.
3. Top Clay is wholly-owned by Ms. Sze and by virtue of the SFO, Ms. Sze is deemed to be interested in all the Shares held by Top Clay.
4. Present Moment is wholly-owned by Ms. Chan, our executive Director, and by virtue of the SFO, Ms. Chan is deemed to be interested in all the Shares held by Present Moment.

2. Particulars of Directors' service agreements and letters of appointment

Each of our executive Directors, namely Mr. She, Ms. Chan and Mr. Alex She, has entered into a service agreement with our Company for an initial term of three years, commencing from the Listing Date and such service agreement may be terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with their respective service agreement, with an initial remuneration of approximately HK\$360,000, HK\$336,000 and HK\$336,000 per annum, respectively.

Each of our independent non-executive Directors, namely Mr. Ho Kim Ching, Mr. Chan Ching Sum Sam and Ms. Fan Pui Shan, has entered into a letter of appointment with our Company for an initial term of one year commencing from the Listing Date and such letter of appointment may be terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with their respective letter of appointment, with a Director's fee of approximately HK\$120,000, HK\$120,000 and HK\$120,000 per annum, respectively.

Each Director is entitled to a Director's fee. Each executive Director may also receive a discretionary bonus in respect of each completed calendar year of service. The amount of such bonus will be determined by our Board based on the recommendations made by our remuneration committee of the Board. All reasonable expenses properly incurred by the Directors in the process of discharging their duties on behalf of our Group will be borne by our Company.

Save as disclosed in this section, none of our Directors has or is proposed to have a service agreement 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

The remuneration of each Director is determined by reference to market terms, seniority, his experience, duties and responsibilities within our Group. Our Directors are entitled to statutory benefits as required by law from time to time.

The aggregate amount of emoluments paid by our Group to the Directors for each of the two years ended 31 March 2017 were approximately HK\$1.0 million and HK\$1.0 million respectively.

For the years ended 31 March 2016 and 2017, the aggregate remuneration including basic salaries, allowance, bonus and contribution to retirement benefit scheme, paid to the five highest paid individuals (including our Directors) by our Group was approximately HK\$1.6 million and HK\$1.7 million, respectively.

Save as disclosed in this section and the section headed "Directors and Senior Management — Remuneration of Directors and senior management", no other emoluments have been paid or are payable during the Track Record Period by our Company and our subsidiaries to the Directors. Further information in respect of our Directors' remuneration is set out in note 12 to the Accountants' Report in Appendix I to this prospectus.

Under the arrangement currently in force, the aggregate remuneration (including directors' fee, salaries and contributions to pension scheme) of our Directors (excluding discretionary bonus) for the year ending 31 March 2018 is estimated to be approximately HK\$1.4 million.

4. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Save as disclosed in the Accountants' Report set out in Appendix I to this prospectus, our Group has not entered into any related party transaction within the two years immediately preceding the date of this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will be required (a) to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by our Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to our Company and the Stock Exchange, once the Shares are listed, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules;
- (b) none of our Directors or experts referred to under the paragraph headed "D. Other information — 9. Consents of experts" in this appendix has any direct or indirect interest in the promotion of our Company, 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 is materially interested in any contract or arrangement subsisting as 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 Shares which may be taken up under the Share Offer, 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 Share Offer and the Capitalisation Issue, have interests or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions

of Divisions 2 and 3 of Part XV of SFO or 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 member of our Group;

- (e) none of the experts referred to under the paragraph headed “D. Other information — 9. Consents of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or our 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 third party factories of our Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of all our Shareholders passed on 22 September 2017.

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules and is established to enable our Company to grant options to Eligible Participants (as defined in paragraph (b) below) as incentives or rewards for their contribution or potential contribution to our Company and/or any of our subsidiaries.

(b) Who may join

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisors, consultants, agents, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favor of our Company of HK\$1.00

by way of consideration for the grant thereof is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the Grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of Shares available for subscription

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer, being 100,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum 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 at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, cancelled, and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and
- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the GEM Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the GEM Listing Rules) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before the shareholders' approval and the date of the Board meeting at which the Board resolves to grant the proposed options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:
 - (aa) the Eligible Participant's name, address and occupation;
 - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
 - (cc) the date upon which an offer for an option must be accepted;

- (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
- (ee) the number of Shares in respect of which the option is offered;
- (ff) the exercise price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;
- (gg) the date of the expiry of the option as may be determined by the Board which shall not be later than the last day of the period to be notified by the Board to each grantee within which the option may be exercisable provided that such period of time shall not exceed a period of 10 years commencing from the date upon which such option is deemed to be granted and accepted in accordance with paragraph (c);
- (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and
- (ii) such other terms and conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the GEM Listing Rules.

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share,

provided that for the purpose of determining the exercise price where the Shares have been listed on the Stock Exchange for less than 5 business days preceding the date of grant, the issue price of the Shares in connection with such listing shall be deemed to be the closing price of the Shares for each business day falling within the period before the listing of the Shares on the Stock Exchange.

(g) *Granting options to connected persons*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of our Company or any of their respective associates (as defined in the GEM Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1%, or such other percentage as may be from time to time provided under the GEM Listing Rules, of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the GEM Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to, in addition to the approval of the independent non-executive directors of our Company as referred to under this paragraph (g), the issue of a circular by our Company and the approval of the shareholders in general meeting on a poll at which all core connected persons (as defined in the GEM Listing Rules) of our Company shall abstain from voting in favor, and/or such other requirements prescribed under the GEM Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 23.02(2)(c) and (d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and
- (iv) the information required under Rule 2.28 of the GEM Listing Rules from time to time.

(h) Restrictions on the time of grant of options

A grant of options shall not be made after Inside Information (as defined under the GEM Listing Rules) has come to the knowledge of our Company until it has announced such information pursuant to the requirements of the GEM Listing Rules and Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the GEM 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 GEM Listing Rules); and
- (ii) the deadline for our Company to announce its results for any year, half-year, or quarter-year period or other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

- (i) notwithstanding the above, no option shall be granted to the Directors 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
- (ii) 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) Rights are personal to grantee

An option is personal to the grantee and shall not be transferable or assignable and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be notified by the Board to each grantee within which the option may be exercisable provided that such period of time shall not exceed a period of 10 years commencing from the date upon which the option is deemed to be granted and accepted. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of

approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of the Listing.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group (if so determined by the Board) on any other ground which would warrant the termination of his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) Rights on takeover

If a general offer (whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) *Rights on winding-up*

In the event a notice is given by our Company to its 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 forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above 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, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) *Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and thereupon each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12:00 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, 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. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue.

(r) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial advisor shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 23.03(13) of the GEM Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approved independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of the Group (if so determined by the Board), or has been insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally or any other ground which would warrant the termination of

his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 23.03 of the GEM Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme),

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 23 of the GEM Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) Cancellation of options

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph (m).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the passing of the necessary resolutions by our Shareholders to approve and adopt the rules of the Share Option Scheme;
- (ii) the Listing Department of the Stock Exchange granting the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and
- (iv) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within two calendar months from the date on which the Share Option Scheme was conditionally adopted by an ordinary resolution of our Shareholders:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the GEM Listing Rules in force from time to time.

(z) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Department of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 100,000,000 Shares in total.

2. Tax and other indemnities

Pursuant to a Deed of Indemnity dated 22 September 2017 referred to in the paragraph headed “B. Information about the business — 1. Summary of material contracts” in this appendix, our Controlling Shareholders have given indemnities in favour of our Company (for itself and as trustee for each of its subsidiaries) in connection with, inter alia:

- (i) estate duty which might be payable by any member of our Group by reason of any transfer of property on or before the date on which the conditions of the Share Offer are fulfilled or waived (as applicable) (the “**Effective Date**”);
- (ii) any tax liabilities falling on any member of our Group resulting from or by reference to any income, profits or gains, transactions, events, matters or things earned, accrued or received, entered into or occurring (or deemed to be so earned, accrued or received, entered into or occurring) on or before the Effective Date;
- (iii) all reasonable expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including, but not limited to, legal and other professional costs), charges, liabilities, fines, penalties and tax (collectively, the “**Costs**”) which any member of our Group may incur, suffer or accrue, directly or indirectly, from or in connection with the investigation, assessment, review or contesting of any claim in respect of the above paragraph (ii); the settlement of any claim under the Deed of Indemnity; any legal proceedings in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgment is given for any of them; the enforcement of any such settlement or judgment falling on any member of our Group resulting from or by reference to any income, profits or gains, transactions, events, matters or things earned, accrued or received, entered into or occurring on or before the Effective Date; and

save that our Controlling Shareholders will not be liable under the Deed of Indemnity in respect of the indemnities contained in paragraphs (i), (ii) and (iii) above under the following circumstances to the extent that:

- (i) provision or reserve has been made for such taxation in the audited consolidated financial statements of our Group for the years ended 31 March 2016 and 2017 as set out in Appendix I to this prospectus (the “**Accounts**”); or
- (ii) such taxation or liability falling on any member of our Group arising from any act or omission of, or transaction voluntarily effected by, any member of our Group without the prior written consent or agreement of our Controlling Shareholders, otherwise than

in the ordinary course of business after the Effective Date or carried out, made or entered into pursuant to a legally binding commitment created before the Effective Date; or

- (iii) any taxation and taxation claim for which any member of our Group is liable as a result of any event occurring or income or profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring or disposing of capital assets after 31 March 2017; or
- (iv) such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority coming into force after the Effective Date or to the extent that such claim arises or is increased by an increase in tax rates after such date with retrospective effect; or
- (v) any provision or reserve made for any taxation in the Accounts which is finally established to be an over-provision or excessive reserve, then the Controlling Shareholder's liability (if any) in respect of taxation shall be reduced by an amount not exceeding such over-provision or excessive reserve, provided that the amount of any such over-provision or excessive reserve applied pursuant to this paragraph to reduce our Controlling Shareholders' liability in respect of such taxation shall not be available in respect of any liability arising thereafter in which event our Controlling Shareholders shall be obliged to indemnify each member of our Group against any liability, loss or damage arising from such liability.

The provisions contained in the Deed of Indemnity are conditional upon all the conditions stated in the section headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" in this prospectus being fulfilled or waived on or before the date which is 30 days after the date of this prospectus, failing which the Deed of Indemnity shall become null and void and cease to have any force and effect.

3. Litigation

As at the Latest Practicable Date, save as disclosed in the section headed "Business — Legal Compliance" in this prospectus, no member of our Group was engaged in any litigation, claim or arbitration of material importance and, so far as our Directors are aware, no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened by or against any member of our Group.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Department of the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made by our Company to enable such Shares to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

Pursuant to the engagement letter entered into between our Company and the Sole Sponsor, the Sole Sponsor is entitled to a fee in relation to the Listing of approximately HK\$5.0 million, and will be reimbursed for its expenses properly incurred in connection with the Listing.

5. Preliminary expenses

Our estimated preliminary expenses are approximately HK\$17,000 and are paid or payable by our Company.

6. Promoter

Our Company has no promoter for the purposes of the GEM Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

7. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares, provided that our Company has no interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualification of experts

The qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this prospectus are as follows:

Name	Qualifications
Sunfund Capital	A licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activities
RSM Hong Kong	Certified Public Accountants
RSM Tax Advisory (Hong Kong) Limited	Tax advisers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Loeb & Loeb LLP	Legal advisers to our Company as to U.S. and U.N. sanctions law
Hogan Lovells	Legal advisers to our Company as to E.U. and Australian sanctions law
Kaitong Law Firm	PRC Legal Advisers to our Company
Frost & Sullivan	Industry consultant

9. Consents of experts

Each of the experts named in the paragraph headed “D. Other information — 8. Qualification of experts” in this appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

10. Interests of experts in our Company

None of the persons named in the paragraph headed “D. Other information — 8. Qualification of experts” in this appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. 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 our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) 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 our subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) our Directors confirm that save as disclosed in section headed “Summary — Recent development and no material adverse change” in this prospectus, there has been no material adverse change in the financial or trading position of our Group since 31 March 2017 (being the date to which the latest audited combined financial statements of our Group were made up) up to the date of this prospectus;
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by 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 Company’s share register in Hong Kong and may not be lodged in the Cayman Islands;

- (f) all necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (g) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (h) no securities of our Group are listed, and no listing of any of such securities is proposed to be sought, on any other stock exchange;
- (i) our Company has no outstanding convertible debt securities or debentures; and
- (j) there are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

The English language version of this prospectus has been translated into the Chinese language, and the English and Chinese versions of this prospectus are being published separately. If there is any inconsistency between English and Chinese versions of this prospectus, the English version shall prevail.

However, the translated English names of entities or enterprises established in the PRC included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. To the extent there is any inconsistency between the Chinese names of such entities or enterprises and their English translations, the Chinese names shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms; (ii) copies of each of the material contracts referred to in the section headed “Statutory and general information — B. Information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus; and (ii) the written consents referred to in the section headed “Statutory and general information — D. Other information — 9. 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 Loeb & Loeb LLP at 21st Floor, CCB Tower, 3 Connaught Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (1) the Memorandum and the Articles;
- (2) the accountants’ report of our Group issued by RSM Hong Kong, the text of which is set out in Appendix I to this prospectus;
- (3) the audited consolidated financial statements of our Company comprising our Group for each of the two years ended 31 March 2017;
- (4) the report on the unaudited pro forma financial information of our Group issued by RSM Hong Kong, the text of which is set out in Appendix II to this prospectus;
- (5) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (6) the Companies Law;
- (7) the legal opinion prepared by the PRC Legal Advisers in respect of certain aspects of our Group in the PRC;
- (8) the sanctions memorandum in respect of the U.S. and U.N. sanction law prepared by Loeb & Loeb LLP;
- (9) the sanctions memorandum in respect of the E.U. and Australian sanctions law prepared by Hogan Lovells;
- (10) the tax opinion prepared by RSM Tax Advisory (Hong Kong) Limited;
- (11) the material contracts referred to in the section headed “Statutory and general information — B. Information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus;

- (12) the service agreements and letters of appointment referred to in the section headed “Statutory and general information — C. Further information about Directors and substantial Shareholders — 2. Particulars of Directors’ service agreements and letters of appointment” in Appendix IV to this prospectus;
- (13) the written consents referred to in the section headed “Statutory and general information — D. Other information — 9. Consents of experts” in Appendix IV to this prospectus;
- (14) the rules of the Share Option Scheme; and
- (15) the Industry Report issued by Frost and Sullivan.

SATU HOLDINGS LIMITED
舍圖控股有限公司